

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15

NOTE 1 - Summary of Significant Accounting Policies

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, is both a municipality (home rule charter) and a parish government (political subdivision of the State of Louisiana). The City of Baton Rouge is located wholly within the boundaries of the parish. The parish (approximately 472 square miles) is located in the southeastern portion of the State bordered by the Mississippi River on the west, approximately 80 miles north of New Orleans. The City-Parish is governed by a Mayor-President and 12 single-district Metropolitan Council members.

a. Financial Reporting Entity

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge serves as the financial reporting entity for both the municipality (City of Baton Rouge) and for the Parish (East Baton Rouge Parish). The financial reporting entity consists of: (1) the primary government (all funds under the auspices of the Mayor-President and the Metropolitan Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of Baton Rouge, Parish of East Baton Rouge for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City-Parish governing authority (Metropolitan Council or Mayor-President) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City-Parish and the potential component unit.
4. Imposition of will by the City-Parish on the potential component unit.
5. Financial benefit/burden relationship between the City-Parish and the potential component unit.

Based on the previous criteria, City-Parish management has included the following component units in the financial reporting entity:

Blended Component Units

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) is reported as a pension trust fund in the Basic Financial Statements of the City of Baton Rouge, Parish of East Baton Rouge. The retirement system, a separate legal entity, was created in accordance with The Plan of Government in 1949. This retirement system exists for the sole benefit of current and former (primary government, component units, and related organizations) City-Parish employees who are members of the system. The system is governed by a seven-member board of trustees. Four members of the seven-member board are elected by the employees who participate in the system. The system is funded by the investment of contributions received from the City-Parish primary government, some of the government's component units, and related organizations, and member employees who are obligated to make the contributions to the system based upon actuarial valuations. The City-Parish does not serve as trustee for the retirement system. The fiscal year for CPERS is the calendar year. The separately issued audit report on the retirement system can be obtained at the following address: Jeffrey R. Yates, Retirement Administrator; P.O. Box 1471, Baton Rouge, LA 70821-1471.

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units

Capital Transportation Corporation (CTC) - CTC is a corporation created by and for the benefit of the Parish to provide urban mass transportation services. Any property acquired by the corporation is for the use and benefit of the City-Parish. Metropolitan Council approval is required for all transportation fare changes and operating subsidies. Operating subsidies are provided through a federal grant and by local matching funds appropriated by the Metropolitan Council. CTC's financial statements for the period ended December 31, 2003, are discretely presented in the basic financial statements.

The Louisiana State Constitution mandates that parish governments fund a significant portion of the operational budgets of certain legally separate state constitutionally defined parish officials. These budgets are adopted as part of the City-Parish budget process. These officials also have certain statutorily defined sources of funds that are used for operating and/or capital purposes. These agencies have been discretely presented in the City-Parish Comprehensive Annual Financial Report (CAFR):

District Attorney of the Nineteenth Judicial District (for the period ended December 31, 2003)
Nineteenth Judicial District Court (for the period ended June 30, 2003)
E.B.R. Parish Clerk of Court (for the period ended June 30, 2003)
E.B.R. Parish Coroner (for the period ended December 31, 2003)
E.B.R. Parish Family Court (for the period ended December 31, 2003)
E.B.R. Parish Juvenile Court (for the period ended December 31, 2003)
Nineteenth Judicial District Indigent Defender Board (for the period ended December 31, 2003)

Capital Region Planning Commission - The Capital Region Planning Commission is a private non-profit government agency that administers federal funding from the U.S. Department of Transportation. A majority of the commissioners are appointed by the City-Parish governing authority. The Metropolitan Council also approves grant budgets and pass-through funding to the Commission. The Commission's financial statements for the year ended June 30, 2003 are included in the discrete component unit columns of the basic financial statements.

Parish Fire Protection Districts - Parish Fire Protection Districts (including St. George Fire Protection District, Brownsfield Fire Protection District, Central Fire Protection District, E.B.R. Parish Fire Protection District No. 6, Eastside Fire Protection District, Pride Fire Protection District, Chaneyville Fire Protection District, and Alsen-St. Irma Lee Fire Protection District) are established pursuant to State Statutes. The Metropolitan Council appoints a majority of the board members of each fire protection district. The Council has the right to approve the fire protection districts' tax rates and charges. Although the City-Parish has issued debt in the past on behalf of one or more of the fire protection districts, each district is legally responsible for the debt it incurs. The fiscal year for all fire protection districts is the calendar year except St. George Fire Protection District whose fiscal year end is September 30, 2003.

Brownsfield Fire Protection District, Chaneyville Fire Protection District, Pride Fire Protection District and Alsen - St. Irma Lee Fire Protection District do not have separately issued audit reports. Fiscal agency services for these legally separate discrete component units are provided by the City-Parish financial management system. Individual fund financial statements for these four non-major component units are included in the Combining and Individual Fund Statements and Schedules section of this report. (See Exhibits H-1 through H-8.)

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units (Continued)

Separately issued financial statements of all other City-Parish discretely presented component units can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397 or at the following administrative offices:

District Attorney Doug Moreau
222 St. Louis Street, Fifth Floor
Baton Rouge, LA 70802

Nineteenth Judicial District Court
JoAnn Bruce, Judicial Administrator
222 St. Louis Street, Sixth Floor
Baton Rouge, LA 70802

Capital Region Planning Commission
Don Neisler, Executive Director
333 North 19th Street
P.O. Box 3355
Baton Rouge, LA 70821

Nineteenth Judicial District Indigent
Defender Board
Michael Mitchell
333 St. Louis Street
Baton Rouge, LA 70802

East Baton Rouge Parish Family Court
Ronnie Bullion, Judicial Administrator
222 St. Louis Street, Seventh Floor
Baton Rouge, LA 70802

East Baton Rouge Parish Juvenile Court
Donna Carter, Judicial Administrator
8333 Veterans Memorial Boulevard
Baton Rouge, LA 70807

East Baton Rouge Parish Clerk of Court
Doug Welborn
222 St. Louis Street, First Floor
Baton Rouge, LA 70802

Central Fire Protection District
11646 Sullivan Road
Baton Rouge, LA 70818

East Baton Rouge Parish Coroner
Dr. Shannon Cooper
4030 T.B. Hearndon Avenue
Baton Rouge, LA 70807

St. George Fire Protection District
13686 Perkins Road
Baton Rouge, LA 70810

Capital Transportation Corporation
Dwight Brashear, General Manager
2250 Florida Boulevard
Baton Rouge, LA 70802

E.B.R. Parish Fire Protection District No. 6
7878 Prescott Road
Baton Rouge, LA 70812

Eastside Fire Protection District
15094 Old Hammond Highway
Baton Rouge, LA 70816-1243

Related Organizations

City-Parish officials are also responsible for appointing members of the boards of other organizations. City-Parish's accountability does not extend beyond making the appointments. The following agencies are related organizations to City-Parish government. Each organization's financial statements can be obtained at their respective administrative offices listed as follows:

Gas Utility Service District
Arlene Norwood, Office Manager
10633 Zachary-Deerford Road
Zachary, LA 70791-9304

East Baton Rouge Housing Authority
Joseph F. Johnson, Executive Director
4546 North Street
Baton Rouge, LA 70806

Baton Rouge Recreation and Park Commission
(BREC)
Mike Proctor, Finance Director
P.O. Box 15887
Baton Rouge, LA 70895

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Related Organizations (Continued)

The following three agencies are non-profit corporations established pursuant to State Statutes to finance debt for various public purposes within East Baton Rouge Parish. The Metropolitan Council appoints the board members of each respective agency. Each agency is fiscally independent from the City-Parish, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City-Parish is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Hospital Service District No. 1
Michael Zimmerman, Chief Financial Officer
Lane Memorial Hospital
6300 Main Street
Zachary, LA 70791

East Baton Rouge Mortgage Finance Authority
Randy J. Bonnecaze, Chairman
8555 United Plaza Boulevard
Suite 207, Four United Plaza
Baton Rouge, LA 70809-2251

Industrial Development Board
(No Financial Transactions)

b. Basis of Presentation

The City-Parish's **basic financial statements** consist of the government-wide statements on all of the non-fiduciary activities of the primary government and its component units and the fund financial statements (individual major fund and combined non-major fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City-Parish has elected not to follow subsequent private-sector guidance.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the primary government and the total for its component units. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are payments between the enterprise funds to other various functions of government for charges such as sewer fees and contributions between the primary government and its component units which are reported as external transactions. The government-wide presentation focuses primarily on the sustainability of the City-Parish as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The primary government is reported separately from the legally separate component units as detailed in section (a) of this note.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this statement; however, certain indirect costs have been directly allocated as administrative fees to grants and special fund programs. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as a restricted property tax.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS:

Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements.

The daily accounts and operations of the City-Parish are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund, both major and non-major, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, into generic fund types and three broad fund categories as follows:

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund -- The General Fund is the general operating fund of the City and Parish. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. There are no special revenue fund major funds.

Debt Service Funds -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. There are no debt service fund major funds.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds) and is reported as a major fund.

Proprietary Funds:

Enterprise Funds -- Enterprise funds are used to account for operations: (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the basic financial statements. The two enterprise funds reported as major funds in the fund financial statements are as follows:

The Greater Baton Rouge Airport District Fund accounts for the operation of the Baton Rouge Metropolitan Airport, a commercial and general aviation facility principally financed by air carrier fees and airport related services.

The Comprehensive Sewerage System Fund accounts for the provision of sewer services and sewer treatment services to the residents of the entire parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection of a user fee.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Proprietary Funds (Continued):

Internal Service Funds -- Two internal service funds are used by the government to account for: (1) financing the replacement of motorized equipment, and (2) to maintain and supply fuel for motorized vehicles and heavy equipment to various departments or agencies of the City-Parish, or to other governments, on a cost-reimbursement basis. The internal service fund totals are presented as part of the proprietary fund financial statements. Since the principal users of the internal service funds are the City-Parish governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity.

Fiduciary Fund:

Trust Funds -- The City-Parish Employees' Retirement System (CPERS) Pension Trust Fund (a blended component unit) is used to account for the accumulation of contributions for a defined-benefit cost-sharing multiple-employer pension plan to provide retirement benefits to qualified employees. The pension trust fund is presented in the basic financial statements section. Since by definition these assets are being held for the benefit of employees and cannot be used to address activities or obligations of this government, these funds are not incorporated into the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Basis of Accounting and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

FUND FINANCIAL STATEMENTS:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The City-Parish definition of available means expected to be received within sixty days of the end of the fiscal year.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

c. Basis of Accounting and Measurement Focus (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Nonexchange transactions, in which the City-Parish receives value without directly giving value in return, includes sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes and gross receipts business taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Special Assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, arbitrage payable, net pension obligation and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of cost such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

d. Budgetary Data

BUDGET POLICIES AND BUDGETARY ACCOUNTING:

The Plan of Government for the City-Parish outlines procedures for adopting a budget for the General, Special Revenue, and Debt Service Funds of the primary government:

The Finance Department compiles for the Mayor-President estimates of revenues and requests for appropriations of the annual budget. No later than November 5, the Mayor-President's budget is submitted to the Metropolitan Council for possible revision and adoption. The Council conducts public hearings on the budget, which must be adopted by December 15, to become effective January 1. In no event shall the total appropriations exceed total anticipated revenues taking into account the estimated surplus or deficit at the end of the current fiscal year.

Budgets for the Capital Projects Fund do not necessarily follow the time schedule for other funds, since capital projects may be started and completed at any time during the year. However, the capital project budget must be submitted to the Council for adequate public hearing and adoption on a project-length basis.

Annual operating budgets are adopted for the following governmental funds: General, Special Revenue, and Debt Service. All annual appropriations lapse at fiscal year-end. The General Fund is the only major fund for which an annual budget is adopted, therefore, it is the only budget presentation in the basic financial statements. The original budget column on the budget presentation includes the adjustments necessary to bring forward appropriations for both unspent projects of a continuing nature and legal encumbrances at the end of the last fiscal year.

Budgets of the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for the following deviations: (1) On the budget basis, encumbrances are considered expendable from current appropriations and are reported as expenditures in order to reserve appropriations. (2) Capital lease payments are recorded as departmental expenditures on the budget basis, while on the GAAP basis they are reported as debt

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

d. Budgetary Data (Continued)

BUDGET POLICIES AND BUDGETARY ACCOUNTING (Continued):

service expenditures. Capital leases, on the GAAP basis, represent acquisitions of general capital assets with the value of the assets reported as departmental expenditures and other financing sources. (3) Housing and Urban Development (HUD) loans to program recipients are reported as expenditures on the budget basis to facilitate reporting in accordance with federal regulations. The loans are recorded as "loans receivable" on the GAAP basis with a corresponding reservation of fund balance.

In accordance with The Plan of Government, appropriations, in addition to those contained in any current expenditure budget, shall be made only on the recommendation of the Mayor-President, and only if the Director of Finance certifies that there is available an unappropriated cash surplus sufficient to meet such appropriations. Appropriations at year-end normally lapse, except for those projects of a continuing nature which remain open until the projects are completed or abandoned and are shown on the Balance Sheet as Fund Balance-Reserved for Continuing Projects. Such appropriations for continuing projects carried forward from 2002 to 2003 totaled \$6,906,114 for the General Fund, which is included in the original budget column. The level of budget control is at the fund, department or project level, and expenditures/encumbrances may not exceed appropriations. Should additional appropriations be required, interdivisional transfers may be authorized by the Mayor-President. At year-end, interdepartmental transfers may be made at the request of the Mayor-President with approval of the Council. Additional appropriations from fund balance or increases in estimated revenues must be approved by the Council. In accordance with The Plan of Government, if the Mayor-President shall at any time ascertain that there will not be for the parish, the city, or the districts, sufficient funds to meet total appropriations, it shall be his duty to revise appropriations. During 2003, the General Fund budget was increased by \$9,801,129 as reflected in the final budget column of the budget presentation and as discussed in the Management's Discussion and Analysis section of this report.

Formal budgetary integration is used for management control in the accounting records during the year for the governmental fund types. The Capital Projects Fund project appropriations are initiated by project budgets rather than annual budgets, and accountability is controlled on the project-life basis.

ENCUMBRANCES:

Encumbrances representing purchase orders, contracts or other commitments are recorded in budgetary funds to reserve portions of applicable appropriations. Encumbrances are part of the budgetary process and are included in actual expenditures when a comparison with budget is necessary. Encumbrances at year-end are not considered expenditures in the financial statements presented on the GAAP basis.

e. Assets, Liabilities, and Fund Equity

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash and cash equivalents for the primary government includes the payroll cash account, cash for insurance, cash for juror and witness fees, cash on hand, petty cash, cash for East Baton Rouge Sewerage Commission, cash for all sinking funds and debt service reserve funds on all City and Parish Public Improvement Sales Tax Revenue Bonds, and each individual fund's share of the consolidated cash account.

A single consolidated bank account has been established in a local bank into which monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of this consolidation is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings according to its average cash and investments balance, prorated between funds. Cash is transferred from those funds with available cash resources to cover any negative cash balances in other funds at year-end. In addition, an imprest bank account is used for disbursements of payrolls, and separate accounts have been established for the East Baton Rouge Sewerage Commission, and City and Parish Sales Tax Revenue Bonds as required by the bond indentures for related bond issues.

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The investment policies of the City-Parish are governed by State Statutes and bond covenants. Additional details on authorized investments of City-Parish primary government and component unit funds are disclosed in Note 3(b).

Cash, Cash Equivalents and Investments for the Employees' Retirement System are not included in the City-Parish's consolidated bank account. This retirement system is a blended component unit of the City-Parish primary government and operates a separate bank account and controls its own disbursements and investments.

For purposes of the Statement of Cash Flows, cash equivalents for each fund include demand deposit account balances, repurchase agreements, certificates of deposit and U.S. government securities with maturities of three months or less from date purchased.

Investments are reported at fair value except for: (1) short-term and money market investments, consisting primarily of U.S. treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost and (2) the Louisiana Asset Management Pool (LAMP) investment, which is a local government 2a7-like pool administered by a non-profit corporation organized under State of Louisiana law, which is permitted to be carried at amortized cost.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses on investments recorded at fair value are included in investment income.

RESTRICTED ASSETS:

Certain bond proceeds and debt service sinking funds of the Comprehensive Sewerage System Enterprise Funds are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Assets since the use of these funds is limited by applicable bond resolutions. In addition, the Greater Baton Rouge Airport District Fund shows a net asset restriction for unappropriated passenger facility charges and unspent restricted grant proceeds. Impact fees in the Comprehensive Sewerage System Fund are restricted to future capital improvements in the impact district.

INVENTORIES AND PREPAID ITEMS:

Inventories are stated at cost using the average price method. In the primary government's governmental fund types, inventoried items are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

INTERFUND RECEIVABLES AND PAYABLES:

Short-term cash borrowing between funds bears interest at the prevailing consolidated cash rate of return and is considered temporary in nature. These amounts are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

ACCOUNTS RECEIVABLE:

Accounts receivable are reported net of an allowance for uncollectibles in business-type activities. Major accounts receivable are recorded for: (1) sewer user fees in the Comprehensive Sewerage System Enterprise Fund; (2) airline landing fees, rentals, and miscellaneous charges for services in the Greater Baton Rouge Airport Authority Enterprise Fund; and (3) waste disposal fees at the landfill recorded in the Solid Waste Disposal Facility Enterprise Fund. Uncollectible revenues are estimated at approximately ½ percent for the sewer user fees with uncollectibles written off on a monthly basis. At December 31, 2003, an uncollectible allowance of 46 percent has been recorded for the Greater Baton Rouge Airport District. Uncollectible amounts for waste disposal fees are historically immaterial and no allowance is recorded.

CAPITAL ASSETS:

Capital assets, which include land and land improvements, buildings, equipment, and infrastructure assets (streets, roads, bridges, canals and sewer and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalization thresholds are defined by the City-Parish in the official accounting policies and procedures as follows:

- Movable capital assets with a cost of \$5,000 or more per unit and a useful life of at least two years.
- Land and land improvements purchased with a minimal value of \$50,000.
- Buildings and building improvements with a value of \$100,000 that extend the useful life of a building.
- Individual purchased infrastructure improvements with a value of \$100,000.
- Donated infrastructure systems with a value of \$500,000.

All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects. For capitalization purposes, projects are considered substantially complete when 80% of the project has been constructed. At this point the project costs are moved out of construction work in progress and capitalized.

Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

| <u>Type of Capital Assets</u> | <u>Number of Years</u> |
|-------------------------------------|------------------------|
| Buildings and Building Improvements | 25-40 |
| Runways and Improvements | 25 |
| Land Improvements-Structure | 10 |
| Furniture | 10 |
| Machinery and Equipment | 5-10 |
| Automobiles | 3 |
| Infrastructure | 25 |

All infrastructure assets purchased by the primary government since 1960 are recorded as capital assets and depreciated accordingly. Certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and other assets acquired from subdivision developers, between year 1980 and year 2000, have not been capitalized as of December 31, 2003. GASB 34 allows the City-Parish until fiscal year 2006 to record and depreciate these donated infrastructure assets. The net financial effect of recording these infrastructure assets will be an increase in net capital assets on the government-wide statements. Donated infrastructure accepted into the City-Parish's maintenance program for years 2001, 2002 and 2003 have been capitalized and depreciated in accordance with the above capitalization policy.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

CAPITAL ASSETS (Continued):

The City-Parish capitalizes interest cost (net of interest earned) during the construction phase of major capital projects of proprietary funds in accordance with FASB Statements No. 34, *Capitalization of Interest Cost*, and No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. The objectives of capitalizing interest are: (a) to obtain a measure of acquisition cost that more closely reflects the enterprise's total investment in the asset, and (b) to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of the period benefitted. The amount of interest cost capitalized on major capital projects acquired/constructed with proceeds of restricted tax-exempt debt includes all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing from the date of the borrowing until the assets are ready for their intended use. Interest cost capitalized for the period ending December 31, 2003, is disclosed by project in Note 6, Changes in Capital Assets.

LONG-TERM DEBT:

In the government-wide statement of net assets and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, issuance costs, and gains (losses) on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable costs are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

Excess revenue contracts, loans, and notes are obligations of the general government and payment of these debts is normally provided by transfers from the General Fund to a debt service fund.

Sales tax revenue bonds are secured by sales tax revenues. For those issues not associated with enterprise fund operations, payment of the debt is provided by sales tax revenue recognized in the appropriate debt service fund. Sales tax revenue bond issues associated with enterprise funds are accounted for in the relevant enterprise fund.

COMPENSATED ABSENCES:

All City-Parish primary government classified and non-classified regular employees earn vacation leave in varying amounts according to the employee's number of years of continuous service up to a maximum of five years accrual.

All City-Parish primary government classified and non-classified regular employees earn sick leave in varying amounts according to the employee's number of years of continuous service. Sick leave is accumulated without time limitations. Sick leave is payable only upon death or retirement.

Payments for accrued sick and vacation leave are limited to a combined 120 days under all circumstances except death. Upon death, the maximum accrued leave payable is 120 days sick leave and the equivalent of two years of accrued vacation. Vacation and sick leave may also be converted into time worked for retirement purposes. Per Metropolitan Council Ordinance 85011 effective January 1, 1988, the Employees' Retirement System assumed liability for separation benefits (accrued sick and vacation leave) for employees who retire or who die. At December 31, 2003, the City-Parish retains approximately 17.44% of the total liability for accumulated sick and vacation leave per calculations performed by an outside actuary consultant.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

COMPENSATED ABSENCES (Continued):

City-Parish employees of certain job classifications may accrue compensatory time in lieu of overtime payment up to 30 days for regular employees and 60 days for public safety employees. Compensatory leave is paid by the City-Parish upon termination, resignation, retirement or death, up to the maximum accrual amounts. City-Parish retains 100% of the compensatory leave liability as of December 31, 2003.

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through cash payments conditioned on the employees' termination or retirement. The City-Parish has recorded the following liabilities as of December 31, 2003, for certain salary-related benefits associated with the payment of compensated absences:

1. The actuarially determined percentage of accrued vacation for each employee valued at the employees' current rate of pay.
2. Using the "termination pay method," the value of the City-Parish's liability for sick leave as of December 31, 2003, is limited to 1/3 of the accumulated sick leave accrued at year-end for DROP participants. No sick leave is recorded in the financial statements for active employees since the amount applicable under GASB Statement No. 16 is immaterial.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.
4. Applicable percentages of retirement contribution, social security, and Medicare have been added to the above accrued leave.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave in the proprietary funds fund statements. In accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2003, in the governmental fund-type fund financial statements.

Details of the compensated absences liability for the City-Parish discrete component units can be found in the separately issued audit reports of each component unit.

MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines recommended by Section L10 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

The Solid Waste Disposal Facility Enterprise Fund recognizes (based on MSWLF use) that portion of the estimated total current cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. A complete explanation of the liability and its calculation is referenced in Note 17.

RESERVES AND DESIGNATIONS OF EQUITY:

Some portions of fund balance in the governmental fund types are reserved to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. Reserved for Subsequent Year Expenditures is fund balance that has been budgeted as a source in the 2004 Operating Budget. "Reserved for Continuing

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, and Fund Equity (Continued)

RESERVES AND DESIGNATIONS OF EQUITY (Continued):

Projects” are those portions of incomplete projects where appropriations are carried forward to the following year. Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. All designations are made for specific indicated purposes included in the title and require a council appropriation in subsequent years.

NET ASSETS:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed. Details of restricted net assets at year-end are presented in Note 14.

ACCOUNTING ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

NOTE 2 - Stewardship, Compliance and Accountability

a. Deficit Fund Balance and Unrestricted Net Assets of Individual Funds

Greater Baton Rouge Airport District:

Unrestricted net assets of the Greater Baton Rouge Airport District were a negative \$10.0 million at December 31, 2003. In addition, the general fund had provided short-term borrowing of \$11.4 million to the District at year-end. Most of this major fund’s assets are capital assets. Due to the slow down in the aviation industry the District incurred a \$3.8 million loss before government contributions during 2003. The District’s administration is working on a plan to address the future funding and operations of the airport. In addition, the District will be negotiating a new airport/airline lease agreement in 2004. Repayment of the \$11.4 million borrowing is dependent upon the viability of this fund.

b. Expenditures Exceeding Appropriations (Non-GAAP Budgetary Basis)

Excess of expenditures and encumbrances over appropriations in individual major funds or departments within the funds occurred as follows:

| | <u>Final Budget</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|---|---|
| Crisis Care Center | \$185,050 | \$185,104 | \$ (54) |
| U.S.S. Kidd | 128,400 | 128,410 | (10) |
| Equivalent three mills on industrial area assessment | 95,340 | 100,077 | (4,737) |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 2 - Stewardship, Compliance and Accountability (Continued)

c. Budgetary - GAAP Reporting Reconciliation

Annual budgets are adopted for the General Fund, and the non-major governmental funds. Budgetary comparisons presented in this report are on the budgetary basis.

As discussed in Note 1(d) certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments reconciling the excess (deficit) of revenues and other financing sources over (under) expenditures and other uses at year end on the GAAP basis to the budgetary basis are as follows:

| | <u>General Fund</u> | <u>Non-major Governmental Funds</u> |
|--|-------------------------|---|
| Net change in fund balances (Budget Basis) | \$1,738,472 | \$(2,155,207) |
| Adjustments: | | |
| To adjust for encumbrances | 953,436 | 4,660,065 |
| To adjust for U.S. Housing and Urban Development loans receivable | -- | <u>(2,612,728)</u> |
| Net change in fund balances (GAAP Basis) | <u>\$2,691,908</u> | <u>\$ (107,870)</u> |

The budgetary basis accounts for encumbrances as expenditures in the year in which the funds are encumbered. However, on the GAAP basis, expenditures for encumbered funds are recognized when the obligation is incurred. Therefore, a timing difference exists between budgetary practices and GAAP. In accounting for grant funds, fund balance is not reserved for the grantor portion of encumbrances. Accordingly, grant encumbrances must be added to the reserve for encumbrances in calculating the adjustment necessary to reconcile GAAP basis to budgetary basis. For non-major governmental funds, the adjustment for encumbrances is calculated as follows:

| | |
|--------------------------|--------------------|
| Reserve for encumbrances | \$2,736,643 |
| Grant encumbrances | <u>1,923,422</u> |
| Total encumbrances | <u>\$4,660,065</u> |

NOTE 3 - Cash, Cash Equivalents and Investments

The City-Parish maintains a consolidated cash management pool that is available for use by all funds except the Employees' Retirement System Pension Trust Fund. Each fund type's portion of the consolidated cash pool is displayed on the Statement of Net Assets as "Cash and cash equivalents" or "Investments."

a. Deposits - Primary Government

City-Parish deposits (including demand deposit accounts and certificates of deposits) at December 31, 2003, for the City-Parish primary government are summarized as follows:

1. Primary government excluding Employees' Retirement System Pension Trust Fund:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|------------|----------------------------|-------------------------|
| Category 1 | \$187,837,045 | \$192,442,634 |
| Category 2 | -- | -- |
| Category 3 | -- | -- |
| Total | <u>\$187,837,045</u> | <u>\$192,442,634</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

a. Deposits - Primary Government (Continued)

1. Primary government excluding Employees' Retirement System Pension Trust Fund (Continued):

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$160,284,921). The remaining carrying amount of \$27,552,124 is classified as "Cash and cash equivalents."

The City-Parish's bank balance of deposits at December 31, 2003, is categorized above in three levels of credit risk. Category 1 includes bank balance which is insured or collateralized with securities held by the City-Parish or its agent in the City-Parish's name. Category 2 includes bank balance which is collateralized with securities held by the pledging financial institution's trust department or agent in the City-Parish's name. Category 3 includes bank balance which is uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City-Parish's name.

The carrying amount of deposits does not include a cash on hand balance of \$2,374,222 which is not on deposit with a financial institution. Cash on hand includes petty cash and cash received but not yet deposited at year-end.

2. Employees' Retirement System Pension Trust Fund:

At December 31, 2003, the carrying amount of the Retirement System's cash was \$4,431,623 and the bank balance was \$4,571,114 of which \$100,000 was covered by Federal Depository Insurance. The remainder was collateralized by securities held by the System's agent, Bank One, N.A., Baton Rouge, LA in a custodial account in the Retirement System's name. (Category 1) The carrying amount is classified on the Statement of Fiduciary Net Assets as "Cash and cash equivalents."

b. Cash Equivalents and Investments - Primary Government

The City-Parish is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in the following:

1. United States Treasury Bonds
2. United States Treasury Notes
3. United States Treasury Bills
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.
8. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
9. Any other investment allowed by state statute for local governments.
10. Louisiana Asset Management Pool (LAMP).

Proceeds from the issuance of sales tax revenue bonds for the City of Baton Rouge and Parish of East Baton Rouge are invested according to guidelines set forth in the bond resolutions.

Authorized investments from the proceeds of the issuance of the City's 1993, 1997, 1998A, and 2001A Public Improvement Sales Tax Revenue Bonds are government securities, certificates of deposit collateralized by government securities, and bonds issued by any state or political subdivision, provided that the bonds are rated in one of Moody's Investors Service or Standard and Poor's Corporation's two highest rating categories. All of the qualified investments must have maturities of five years or less at the time of investment.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

Proceeds from the issuance of the Parish's 1995, 1996, 1996, 1998B, 1999, 2001B, and 2003A Public Improvement Sales Tax Bonds are authorized to be invested in direct obligations of the United States of America, time certificates of deposit secured by direct obligations of the United States of America, and obligations issued or guaranteed by the federal government.

City-Parish investments for the primary government at December 31, 2003, are categorized below in order to give an indication of the level of risk assumed by the entity at year-end.

1. Primary Government excluding Employees' Retirement System Pension Trust Fund:

| | <u>Category 1</u> | <u>Carrying Amount</u> | <u>Amortized Cost/ Fair Value</u> |
|---|----------------------|----------------------------|---------------------------------------|
| U.S. Government Securities | \$ 79,517,960 | \$ 79,517,960 | \$ 79,767,081 |
| State and Local Government Series | 3,341,000 | 3,341,000 | 3,341,000 |
| Repurchase Agreements | <u>37,317,810</u> | 37,317,810 | 37,317,810 |
| | <u>\$120,176,770</u> | | |
| Investments not subject to categorization: | | | |
| Louisiana Asset Management Pool (LAMP) | | <u>169,872,663</u> | <u>169,872,663</u> |
| Total | | <u>\$290,049,433</u> | <u>\$290,298,554</u> |

Investments with a maturity of less than 90 days are classified on the Statement of Net Assets as "Cash and cash equivalents" (\$194,808,015). The remaining carrying amount of \$95,241,418 is classified on the Statement of Net Assets as "Investments." The difference between carrying amount and amortized cost/fair value of \$249,121 is included in "Receivables - net" on the Statement of Net Assets. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in U.S. Treasury obligations that have a remaining maturity at time of purchase of one year or less, and investments in 2a7-like pools are stated at amortized cost which is not materially different from fair value. All other investments are shown at fair value.

The \$169,872,663 invested in LAMP is owned by the Parish's pooled account (\$169,000,000), and the East Baton Rouge Sewerage Commission (\$872,663). In accordance with GASB Codification Section 150.165, these investments are not categorized above because they are not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

2. Employees' Retirement System Pension Trust Fund:

| | <u>Category 1</u> | <u>Category Rating Not Required</u> | <u>Fair Value</u> |
|--------------------------|----------------------|-------------------------------------|----------------------|
| U.S. Treasury Bonds | \$ 22,061,173 | \$ -- | \$ 22,061,173 |
| U.S. Agency Notes | 50,713,275 | -- | 50,713,275 |
| Corporate Bonds | 55,221,659 | -- | 55,221,659 |
| Corporate Stocks | 139,430,444 | -- | 139,430,444 |
| Corporate Stock Index | -- | 265,990,873 | 265,990,873 |
| International Equity | -- | 146,521,510 | 146,521,510 |
| Enhanced Bond Index Fund | -- | 142,523,271 | 142,523,271 |
| Money Market Funds | <u>21,451,065</u> | <u>--</u> | <u>21,451,065</u> |
| Total | <u>\$288,877,616</u> | <u>\$555,035,654</u> | <u>\$843,913,270</u> |

The fair value of \$822,462,205 is classified on the Statement of Fiduciary Net Assets as "Investments." \$21,451,065 is classified on the Statement of Fiduciary Net Assets as "Cash and Cash equivalents."

Category 1 includes investments that are insured or registered or for which the securities are held by the City-Parish or its agent in the City-Parish's name.

c. Deposits - Discretely Presented Component Units

The discretely presented component unit agencies are required to invest idle funds within the same state statute as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposits) at their respective year ends, are categorized below in the three levels of credit risk as explained in section (a) of this note above:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> |
|---|------------------------|---------------------|-------------------|-------------------|-------------------|
| District Attorney of the Nineteenth Judicial District | \$ 2,081,070 | \$ 2,204,783 | \$1,000,000 | \$1,204,783 | \$ -- |
| Nineteenth Judicial District Court | 398,181 | 583,844 | 100,000 | -- | 483,844 |
| E.B.R. Parish Family Court | 289,267 | 304,786 | 304,786 | -- | -- |
| E.B.R. Parish Juvenile Court | 624,689 | 644,694 | 192,088 | -- | 452,606 |
| Nineteenth Judicial District Indigent Defender Board | 312,800 | 355,364 | 355,364 | -- | -- |
| E.B.R. Parish Clerk of Court | 5,290,927 | 5,399,133 | 601,648 | -- | 4,797,485 |
| E.B.R. Parish Coroner | 20,394 | 24,857 | 24,857 | -- | -- |
| St. George Fire Protection District | 851,197 | 898,379 | 100,000 | -- | 798,379 |
| Central Fire Protection District | 61,120 | 86,982 | 86,982 | -- | -- |
| District 6 Fire Protection District | 101,360 | 130,980 | 100,000 | -- | 30,980 |
| Eastside Fire Protection District | 286,722 | 293,916 | 100,000 | -- | 193,916 |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

c. Deposits - Discretely Presented Component Units (Continued)

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> |
|------------------------------------|----------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Pride Fire Protection District | \$ 76,912 | \$ 76,912 | \$ 76,912 | \$ -- | \$ -- |
| Capital Region Planning Commission | 378,830 | 399,728 | 399,728 | -- | -- |
| Capital Transportation Corporation | <u>1,057,534</u> | <u>1,109,043</u> | <u>1,109,043</u> | <u>--</u> | <u>--</u> |
| Total Component Units | <u>\$11,831,003</u> | <u>\$12,513,401</u> | <u>\$4,551,408</u> | <u>\$1,204,783</u> | <u>\$6,757,210</u> |

For the component unit agencies that carry pledged securities that are considered Category 3 under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the component unit agency that the fiscal agent has failed to pay deposited funds upon demand.

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$2,908,805). The remaining carrying amount of \$8,922,198 is classified as "Cash and cash equivalents."

The carrying amounts of deposits do not include a cash on hand balance for E.B.R. Parish Juvenile Court (\$300), Clerk of Court (\$2,225), Capital Region Planning Commission (\$220), and Capital Transportation Corporation (\$1,534) which is not on deposit with a financial institution. Cash on hand includes petty cash and cash received but not yet deposited at year-end.

d. Investments - Discretely Presented Component Units

Investments for component units include a fair value amount of \$61,481 in government securities held by Capital Region Planning Commission that are classified as Category 1.

e. Cash, Cash Equivalents and Investments Summary

1. The following is a reconciliation of the carrying amount of deposits and investments to restricted and unrestricted "Cash and cash equivalents" and "Investments" on the Statement of Net Assets.

A. Primary government excluding Employees' Retirement System Pension Trust Fund

| | |
|---|----------------------|
| Cash and cash equivalents: | |
| Deposits | \$ 27,552,124 |
| Cash on hand | 2,374,222 |
| Investments | 24,935,352 |
| Louisiana Asset Management Pool | <u>169,872,663</u> |
| Sub-total cash and cash equivalents | <u>224,734,361</u> |
| Investments: | |
| Deposits | 160,284,921 |
| Investments | <u>95,241,418</u> |
| Sub-total investments | <u>255,526,339</u> |
| Cash, cash equivalents and investments, December 31, 2003 | <u>\$480,260,700</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 3 - Cash, Cash Equivalents and Investments (Continued)

e. Cash, Cash Equivalents and Investments Summary (Continued)

1. Reconciliation of the carrying amount of deposits and investments (Continued)

A. Primary government excluding Employees' Retirement System Pension Trust Fund (Continued)

Summary of "Cash and cash equivalents" and "Investments" for the Primary Government on the Statement of Net Assets

| | |
|---|----------------------|
| Current Assets - Cash and cash equivalents | \$187,619,679 |
| Restricted Assets - Cash and cash equivalents | <u>37,114,682</u> |
| Total cash and cash equivalents | <u>224,734,361</u> |
| Current Assets - Investments | 183,058,815 |
| Restricted Assets - Investments | <u>72,467,524</u> |
| Total investments | <u>255,526,339</u> |
| Total cash and cash equivalents and investments | <u>\$480,260,700</u> |

B. Component units:

| | |
|---|----------------------|
| Cash and cash equivalents: | |
| Deposits | \$ 8,922,198 |
| Cash on hand | <u>4,279</u> |
| Sub-total cash and cash equivalents | <u>8,926,477</u> |
| Investments: | |
| Deposits | 2,908,805 |
| Investments | <u>61,481</u> |
| Sub-total investments | <u>2,970,286</u> |
| Cash, cash equivalents and investments, December 31, 2003 | <u>\$ 11,896,763</u> |

Summary of "Cash and cash equivalents" and "Investments" for Component Units on the Statement of Net Assets:

| | |
|---|----------------------|
| Current Assets - Cash and cash equivalents | \$ 8,183,659 |
| Restricted Assets - Cash and cash equivalents | <u>742,818</u> |
| Total cash and cash equivalents | 8,926,477 |
| Current Assets - Investments | <u>2,970,286</u> |
| Total cash and cash equivalents and investments | <u>\$ 11,896,763</u> |

2. The following is a reconciliation of the carrying amount of deposits and investments to "Cash and cash equivalents" and "Investments" for CPERS pension trust fund on the Statement of Fiduciary Net Assets.

| | |
|---|----------------------|
| Cash and cash equivalents: | |
| Deposits | \$ 4,431,623 |
| Investments | <u>21,451,065</u> |
| Sub-total | 25,882,688 |
| Investments | <u>822,462,205</u> |
| Cash, cash equivalents and investments, December 31, 2003 | <u>\$848,344,893</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 4 - Property Taxes

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. Year 2000 was the last reassessment year.

The Sheriff of East Baton Rouge Parish, as provided by State Law (LRS 33:1435), is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. By agreement, the Sheriff is also the tax collector for City property taxes for which he receives a commission of 4.5% of total taxes collected for the City. December tax collections remitted to the City-Parish by the Sheriff in January are reported as "Due From Other Governments."

The 2003 property tax calendar is as follows:

| | |
|-----------------------|-------------------|
| Levy date | November 26, 2002 |
| Millage rates adopted | November 26, 2002 |
| Tax bills mailed | December 1, 2003 |
| Due date | December 31, 2003 |
| Lien date | January 1, 2004 |

State Law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental fund level: Property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

At the entity-wide level: Property taxes are recognized in the year of the levy net of uncollectible amounts.

a. Property taxes receivable and estimated uncollectible taxes by fund type for the Primary Government are as follows:

| | Property Taxes <u>Receivable</u> | Estimated Uncollectible Property Taxes <u> </u> | Net Property Taxes <u>Receivable</u> |
|-----------------------|--|--|---|
| General Fund | \$2,491,114 | \$ 498,234 | \$1,992,880 |
| Special Revenue Funds | <u>5,969,192</u> | <u>1,371,052</u> | <u>4,598,140</u> |
| Total | <u>\$8,460,306</u> | <u>\$1,869,286</u> | <u>\$6,591,020</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 4 - Property Taxes (Continued)

b. Property taxes receivable and estimated uncollectible taxes for the Component Units are as follows:

| | Property Taxes Receivable | Estimated Uncollectible Property Taxes | Net Property Taxes Receivable |
|--|---------------------------------|---|--|
| St. George Fire Protection District | \$ 150,989 | \$ 109,458 | \$ 41,531 |
| Brownsfield Fire Protection District | 45,563 | 11,837 | 33,726 |
| Central Fire Protection District | 266,516 | 39,000 | 227,516 |
| E.B.R. Parish Fire Protection District No. 6 | 118,989 | 29,269 | 89,720 |
| Eastside Fire Protection District | 79,627 | 12,508 | 67,119 |
| Alsen-St. Irma Lee Fire Protection District | <u>10,160</u> | <u>--</u> | <u>10,160</u> |
| Total | <u>\$ 671,844</u> | <u>\$ 202,072</u> | <u>\$ 469,772</u> |

NOTE 5 - Federal and State Financial Assistance

a. Grants From Other Governmental Units

Federal and State grant programs represent an important source of funding to finance housing, employment, construction, and social programs which are beneficial to the City and the Parish. These funds are recorded in the Special Revenue, Capital Projects, and Enterprise Funds. A grant appropriation is recorded when an approved contract is authorized with the funding agency through the "Grants Review Process." Receivables are established when eligible expenditures are incurred. The grants normally specify the purpose for which funds may be used and federal grants are audited annually in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept." The grant programs are also subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

During 2003 and 2002, the following amounts under various grants and entitlements are recorded as revenues, subsidies, or contributions in the accompanying financial statements:

| | <u>2003</u> | <u>2002</u> |
|--------------------------------------|---------------------|---------------------|
| Primary Government: | | |
| Governmental activities: | | |
| Capital Projects Fund | \$12,336,916 | \$ 4,159,009 |
| Non-major governmental funds | 35,013,602 | 35,073,344 |
| Business-type funds: | | |
| Greater Baton Rouge Airport District | 9,729,364 | 17,260,308 |
| Comprehensive Sewerage System Fund | 8,047,903 | 5,820,346 |
| Non-major business-type funds | <u>8,394,823</u> | <u>2,887,087</u> |
| Total primary government | <u>\$73,522,608</u> | <u>\$65,200,094</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 5 - Federal and State Financial Assistance (Continued)

a. Grants From Other Governmental Units (Continued)

| | <u>2003</u> | <u>2002</u> |
|---|-------------------------|-------------------------|
| Component Units: | | |
| District Attorney of the Nineteenth Judicial District | \$ 747,850 | \$ 897,398 |
| Nineteenth Judicial District Court | 24,922 | 149,611 |
| E.B.R. Parish Juvenile Court | 2,881 | 72,047 |
| Nineteenth Judicial District Indigent Defender Board | 336,319 | 366,869 |
| St. George Fire Protection District | 20,000 | -- |
| Brownsfield Fire Protection District | 11,800 | 24,700 |
| Central Fire Protection District | 24,990 | 29,750 |
| Pride Fire Protection District | 50,554 | -- |
| Chaneyville Fire Protection District | 1,467 | -- |
| Alsen-St. Irma Lee Fire Protection District | 33,651 | -- |
| Capital Region Planning Commission | 667,135 | 568,985 |
| Capital Transportation Corporation | <u>3,988,203</u> | <u>4,527,808</u> |
| Total component units | <u>\$ 5,909,772</u> | <u>\$ 6,637,168</u> |

b. On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires the City-Parish to report and disclose in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana to certain groups of City-Parish employees.

Supplementary salary payments are made by the state directly to certain groups of employees. City-Parish is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure (expense) payments is the actual contribution made by the state. For 2003, the state paid supplemental salaries to the following groups of employees of the primary government: fire and law enforcement employees, city court judges, and employees of the Registrar of Voters' Office. The state also paid supplemental salaries for employees of the Nineteenth Judicial District Attorney, judges salaries and benefits for the three court systems and state supplemental salaries of the parish fire protection district component units.

LRS 33:7392 provides for a percentage of property taxes collected in East Baton Rouge Parish to be remitted to the State Municipal Employees' Retirement System (MERS). The statute further provides for MERS to distribute these funds back to the City-Parish Employees' Retirement System and the Cities of Zachary and Baker Retirement Systems. On-behalf payments recorded as revenues and expenditures (expenses) in the 2003 financial statements are as follows:

| | <u>State Supplemented Salaries</u> | <u>MERS Contribution</u> | <u>Total 2003 On-Behalf Payments</u> |
|------------------------------|--|------------------------------|--|
| Primary Government: | | | |
| Governmental activities | \$4,431,602 | \$512,035 | \$4,943,637 |
| Business-type activities | <u>78,564</u> | <u>--</u> | <u>78,564</u> |
| Total primary government | <u>4,510,166</u> | <u>512,035</u> | <u>5,022,201</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 5 - Federal and State Financial Assistance (Continued)

b. On-Behalf Payments for Salaries and Benefits (Continued)

| | State Supplemented <u>Salaries</u> | MERS <u>Contribution</u> | Total 2003 On-Behalf <u>Payments</u> |
|--|--|-----------------------------|--|
| Component Units: | | | |
| District Attorney of the Nineteenth Judicial District | \$1,436,466 | \$ -- | \$1,436,466 |
| Nineteenth Judicial District Court | 1,803,271 | -- | 1,803,271 |
| E.B.R. Parish Family Court | 480,872 | -- | 480,872 |
| E.B.R. Parish Juvenile Court | 240,436 | -- | 240,436 |
| St. George Fire Protection District | 314,900 | -- | 314,900 |
| Brownsfield Fire Protection District | 10,800 | -- | 10,800 |
| Central Fire Protection District | 45,300 | -- | 45,300 |
| E.B.R. Parish Fire Protection District No. 6 | 41,510 | -- | 41,510 |
| Eastside Fire Protection District | <u>7,200</u> | <u>--</u> | <u>7,200</u> |
| Total component units | <u>4,380,755</u> | <u>--</u> | <u>4,380,755</u> |
| Total on-behalf payments | <u>\$8,890,921</u> | <u>\$512,035</u> | <u>\$9,402,956</u> |

NOTE 6 - Changes in Capital Assets

a. Primary government capital asset activity for the year ended December 31, 2003, was as follows:

| | Balance <u>1/1/2003</u> | <u>Additions</u> | Adjustments and <u>Deletions</u> | Balance <u>12/31/2003</u> |
|---|----------------------------|-------------------|--|------------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and right-of-way | \$ 70,678,175 | \$ 5,450,529 | \$ 915,347 | \$ 77,044,051 |
| Construction work in progress | <u>17,779,101</u> | <u>25,991,766</u> | <u>(6,527,381)</u> | <u>37,243,486</u> |
| Total capital assets not being depreciated | <u>88,457,276</u> | <u>31,442,295</u> | <u>(5,612,034)</u> | <u>114,287,537</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 175,804,160 | 6,949,868 | 1,416,276 | 184,170,304 |
| Improvements (other than buildings) and infrastructure | 287,335,668 | 10,725,605 | 9,452,010 | 307,513,283 |
| Equipment and equipment under lease | <u>70,791,693</u> | <u>7,192,956</u> | <u>(8,519,422)</u> | <u>69,465,227</u> |
| Total capital assets being depreciated | <u>533,931,521</u> | <u>24,868,429</u> | <u>2,348,864</u> | <u>561,148,814</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

a. Primary government capital asset activity for the year ended December 31, 2003 (Continued)

| | Balance <u>1/1/2003</u> | <u>Additions</u> | Adjustments and <u>Deletions</u> | Balance <u>12/31/2003</u> |
|---|----------------------------|---------------------|--|------------------------------|
| Governmental Activities (Continued): | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ (91,951,498) | \$(5,326,947) | \$ -- | \$ (97,278,445) |
| Improvements (other than buildings) and infrastructure | (154,048,972) | (9,765,581) | -- | (163,814,553) |
| Equipment and equipment under lease | <u>(50,869,968)</u> | <u>(8,920,491)</u> | <u>8,296,031</u> | <u>(51,494,428)</u> |
| Total accumulated depreciation | <u>(296,870,438)</u> | <u>(24,013,019)</u> | <u>8,296,031</u> | <u>(312,587,426)</u> |
| Total capital assets being depreciated, net | <u>237,061,083</u> | <u>855,410</u> | <u>10,644,895</u> | <u>248,561,388</u> |
| Total governmental activities capital assets, net | <u>\$325,518,359</u> | <u>\$32,297,705</u> | <u>\$ 5,032,861</u> | <u>\$362,848,925</u> |
| Business-Type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and right-of-way | \$ 69,693,818 | \$ 101,300 | \$ (472,702) | \$ 69,322,416 |
| Construction work in progress | <u>16,266,155</u> | <u>47,152,329</u> | <u>(28,314,310)</u> | <u>35,104,174</u> |
| Total capital assets not being depreciated | <u>85,959,973</u> | <u>47,253,629</u> | <u>(28,787,012)</u> | <u>104,426,590</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 107,440,078 | 7,867,783 | -- | 115,307,861 |
| Improvements (other than buildings) and infrastructure | 638,950,658 | 24,594,419 | 472,702 | 664,017,779 |
| Equipment | <u>11,694,051</u> | <u>332,587</u> | <u>(148,955)</u> | <u>11,877,683</u> |
| Total capital assets being depreciated | <u>758,084,787</u> | <u>32,794,789</u> | <u>323,747</u> | <u>791,203,323</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (42,020,730) | (3,789,685) | -- | (45,810,415) |
| Improvements (other than buildings) and infrastructure | (229,335,063) | (24,035,673) | -- | (253,370,736) |
| Equipment | <u>(8,801,930)</u> | <u>(1,113,267)</u> | <u>532,678</u> | <u>(9,382,519)</u> |
| Total accumulated depreciation | <u>(280,157,723)</u> | <u>(28,938,625)</u> | <u>532,678</u> | <u>(308,563,670)</u> |
| Total capital assets being depreciated, net | <u>477,927,064</u> | <u>3,856,164</u> | <u>856,425</u> | <u>482,639,653</u> |
| Total business-type activities capital assets, net | <u>\$563,887,037</u> | <u>\$51,109,793</u> | <u>\$(27,930,587)</u> | <u>\$587,066,243</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

b. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Governmental fund-types:

| | |
|--|----------------------------|
| General government | \$ 1,535,113 |
| Public safety | 7,271,749 |
| Transportation | 10,021,972 |
| Sanitation | 9,172 |
| Health and welfare | 287,750 |
| Culture and recreation | 1,676,264 |
| Conservation and development | 616,756 |
| Internal service fund capital assets are charged to the various functions based on their usage of the assets | <u>2,594,243</u> |
| Total depreciation expense - governmental activities | <u><u>\$24,013,019</u></u> |

Business-Type Activities:

| | |
|---|----------------------------|
| Airport | \$ 4,886,811 |
| Sewer | 21,559,076 |
| Non-major business - type activities | <u>2,492,738</u> |
| Total depreciation expense - business-type activities | <u><u>\$28,938,625</u></u> |

c. Construction work in progress for the governmental activities of the primary government is composed of the following:

| | <u>Project Authorization</u> | <u>Capitalized to Date</u> | <u>Balance in Construction Work In Progress 12/31/2003</u> | <u>Committed</u> | <u>Estimated Required Future Financing</u> |
|--|----------------------------------|--------------------------------|--|----------------------------|--|
| Capital Projects Fund: | | | | | |
| Miscellaneous Capital Improvements | \$ 70,739,356 | \$ 47,675,249 | \$ 1,457,371 | \$ 7,939,436 | None |
| Capital Improvement | 69,275,111 | 50,482,706 | 6,251,622 | 4,218,553 | None |
| Road and Street Improvement (Dedicated Sales Tax) | 114,596,000 | 45,554,629 | 23,045,303 | 5,485,104 | None |
| LA DOTD Grants Capital Projects | 40,224,414 | 26,501,437 | 2,939,474 | 1,666,894 | None |
| General Capital Expenditures | 20,367,297 | 9,306,197 | 148,581 | 1,159,654 | None |
| Community Development | 9,019,623 | 2,200,714 | 2,703,553 | 1,265,581 | None |
| General Government | 3,642,014 | -- | 1,175 | -- | None |
| Street Improvements | 10,077,236 | 6,064,430 | 695,387 | 177,987 | None |
| Mosquito and Rodent Control | <u>851,347</u> | <u>415,839</u> | <u>1,020</u> | <u>100,129</u> | None |
| Total | <u><u>\$338,792,398</u></u> | <u><u>\$188,201,201</u></u> | <u><u>\$37,243,486</u></u> | <u><u>\$22,013,338</u></u> | |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

- d. **Construction work in progress at December 31, 2003, for primary government enterprise funds is composed of the following:**

| | <u>Project Authorization</u> | <u>Expended to Date</u> | <u>Capitalized</u> | <u>Balance in Construction Work in Progress 12/31/03</u> |
|---|----------------------------------|-----------------------------|---------------------|--|
| Greater Baton Rouge Airport District: | | | | |
| Miscellaneous project costs | \$ 736,314 | \$ 736,314 | \$ 28,695 | \$ 707,619 |
| Terminal access road | 201,018 | 201,018 | -- | 201,018 |
| Runway and apron improvements | 13,907,017 | 602,167 | -- | 602,167 |
| Noise mitigation projects | <u>7,777,777</u> | <u>462,603</u> | <u>--</u> | <u>462,603</u> |
| Total | <u>22,622,126</u> | <u>2,002,102</u> | <u>28,695</u> | <u>1,973,407</u> |
| Comprehensive Sewerage System Fund: | | | | |
| South wastewater treatment plant rehabilitation trickling filter | 494,403 | 45 | -- | 45 |
| Central wastewater treatment plant Outfall line replacement | 4,090,913 | 335,239 | 77,995 | 257,244 |
| Miscellaneous treatment plant improvements | 343,470 | 112,707 | 73,515 | 39,192 |
| Rehabilitation construction | 2,550,883 | 1,395,953 | 650,498 | 745,455 |
| Sanitary sewer overflow corrective action plan | 147,968,900 | 23,802,215 | 16,129,483 | 7,672,732 |
| Trunkline system | 793,591 | 34,444 | -- | 34,444 |
| Telemetry system | 1,072,429 | 211,491 | -- | 211,491 |
| Supplemental environmental projects | <u>1,399,000</u> | <u>480,756</u> | <u>361,191</u> | <u>119,565</u> |
| Total | <u>158,713,589</u> | <u>26,372,850</u> | <u>17,292,682</u> | <u>9,080,168</u> |
| Non-major business-type activities: | | | | |
| Riverside Centroplex Fund: | | | | |
| Centroplex expansion project | 26,849,412 | 14,556,552 | -- | 14,556,552 |
| Expansion-from Capital Projects Fund | 18,072,111 | 9,416,679 | -- | 9,416,679 |
| Miscellaneous building improvements | <u>4,820</u> | <u>2,066</u> | <u>--</u> | <u>2,066</u> |
| Total | 44,926,343 | 23,975,297 | -- | 23,975,297 |
| Greater Baton Rouge Parking Authority: | | | | |
| Construction of arts block parking garage | <u>2,500,000</u> | <u>75,302</u> | <u>--</u> | <u>75,302</u> |
| Total non-major business-type activities | <u>47,426,343</u> | <u>24,050,599</u> | <u>--</u> | <u>24,050,599</u> |
| Total-all enterprise funds | <u>\$228,762,058</u> | <u>\$52,425,551</u> | <u>\$17,321,377</u> | <u>\$35,104,174</u> |

Total construction period interest costs of \$223,155 were capitalized in 2003 in the Comprehensive Sewerage System Fund. Construction period interest costs of \$1,640,856 from the current and previous fiscal years remain in Construction Work in Progress at December 31, 2003.

During 2001, the City-Parish entered into a Consent Decree with U.S. Environmental Protection Agency (EPA) to remedy violations of the Clean Water Act and National Pollution Discharge Elimination System (NPDES) permits issued to the City-Parish for its sewerage treatment plants. The Consent Decree requires the City-Parish to achieve and maintain compliance with its NPDES permits and the Clean Water Act.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

d. Construction work in progress at December 31, 2003, for primary government enterprise funds (Continued):

The Consent Decree requires the City-Parish to complete a construction program to reduce sanitary sewer overflows by December 31, 2014. The City-Parish selected construction "Alternate 7" to correct the sanitary sewer overflow problem. This alternate will require the City-Parish to institute a \$618 million construction program involving the construction of a large storage basin, deep underground gravity sewers, three ballasted flocculation waste water treatment facilities, storage tanks in outlying areas of the Parish, and rehabilitation of selected areas of the sanitary sewer collection system.

e. A summary of changes in capital assets for component units is as follows:

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Adjustments and Deletions</u> | <u>Balance End of Year</u> |
|--|--|------------------|--|------------------------------------|
| <u>District Attorney of the Nineteenth Judicial District</u> | | | | |
| Equipment | \$ 1,447,058 | \$ 60,830 | \$ (37,294) | \$ 1,470,594 |
| Less: accumulated depreciation | <u>(1,057,042)</u> | | | <u>(1,186,829)</u> |
| Total District Attorney of the Nineteenth Judicial District | <u>\$ 390,016</u> | | | <u>\$ 283,765</u> |
| <u>Nineteenth Judicial District Court</u> | | | | |
| Equipment | \$ 824,218 | \$ 174,730 | \$(143,880) | \$ 855,068 |
| Less: accumulated depreciation | <u>(685,753)</u> | | | <u>(588,862)</u> |
| Total Nineteenth Judicial District Court | <u>\$ 138,465</u> | | | <u>\$ 266,206</u> |
| <u>E.B.R. Parish Family Court</u> | | | | |
| Equipment | \$ 272,254 | \$ 14,166 | \$ -- | \$ 286,420 |
| Less: accumulated depreciation | <u>(214,786)</u> | | | <u>(238,608)</u> |
| Total E.B.R. Parish Family Court | <u>\$ 57,468</u> | | | <u>\$ 47,812</u> |
| <u>E.B.R. Parish Juvenile Court</u> | | | | |
| Equipment | \$ 351,073 | \$ 21,870 | \$ (3,576) | \$ 369,367 |
| Less: accumulated depreciation | <u>(271,052)</u> | | | <u>(298,216)</u> |
| Total E.B.R. Parish Juvenile Court | <u>\$ 80,021</u> | | | <u>\$ 71,151</u> |
| <u>Nineteenth Judicial District Indigent Defender Board</u> | | | | |
| Equipment | \$ 120,859 | \$ 15,244 | \$ -- | \$ 136,103 |
| Less: accumulated depreciation | <u>(82,850)</u> | | | <u>(89,601)</u> |
| Total Nineteenth Judicial District Indigent Defender Board | <u>\$ 38,009</u> | | | <u>\$ 46,502</u> |
| <u>E.B.R. Parish Clerk of Court</u> | | | | |
| Equipment | \$ 2,723,896 | \$2,428,822 | \$(185,961) | \$ 4,966,757 |
| Less: accumulated depreciation | <u>(2,421,066)</u> | | | <u>(2,352,838)</u> |
| Total E.B.R. Parish Clerk of Court | <u>\$ 302,830</u> | | | <u>\$ 2,613,919</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Adjustments and Deletions</u> | <u>Balance End of Year</u> |
|--|--|------------------|--|------------------------------------|
| <u>E.B.R. Parish Coroner</u> | | | | |
| Equipment | \$ 131,297 | \$ 8,454 | \$ -- | \$ 139,751 |
| Less: accumulated depreciation | <u>(73,588)</u> | | | <u>(89,243)</u> |
| Total E.B.R. Parish Coroner | <u>\$ 57,709</u> | | | <u>\$ 50,508</u> |
| <u>St. George Fire Protection District</u> | | | | |
| Land | \$ 289,531 | \$ -- | \$ -- | \$ 289,531 |
| Buildings | 1,330,694 | -- | -- | 1,330,694 |
| Equipment | 3,448,196 | 150,734 | (48,809) | 3,550,121 |
| Construction work in progress | <u>25,066</u> | <u>12,892</u> | <u>--</u> | <u>37,958</u> |
| Total | 5,093,487 | 163,626 | (48,809) | 5,208,304 |
| Less: accumulated depreciation | <u>(1,976,341)</u> | | | <u>(2,202,645)</u> |
| Total St. George Fire Protection District | <u>\$ 3,117,146</u> | | | <u>\$ 3,005,659</u> |
| <u>Brownsfield Fire Protection District</u> | | | | |
| Land | \$ 18,592 | \$ -- | \$ -- | \$ 18,592 |
| Buildings | 64,773 | 23,900 | -- | 88,673 |
| Equipment | 228,215 | 18,000 | -- | 246,215 |
| Equipment under capital leases | <u>48,980</u> | <u>--</u> | <u>--</u> | <u>48,980</u> |
| Total | 360,560 | 41,900 | -- | 402,460 |
| Less: accumulated depreciation | <u>(194,053)</u> | | | <u>(245,910)</u> |
| Total Brownsfield Fire Protection District | <u>\$ 166,507</u> | | | <u>\$ 156,550</u> |
| <u>Central Fire Protection District</u> | | | | |
| Land | \$ 159,018 | \$ -- | \$ -- | \$ 159,018 |
| Buildings | 855,124 | 4,803 | -- | 859,927 |
| Equipment | 1,328,694 | 126,870 | (28,364) | 1,427,200 |
| Equipment under capital leases | <u>437,604</u> | <u>--</u> | <u>--</u> | <u>437,604</u> |
| Total | 2,780,440 | 131,673 | (28,364) | 2,883,749 |
| Less: accumulated depreciation | <u>(1,153,445)</u> | | | <u>(1,262,473)</u> |
| Total Central Fire Protection District | <u>\$ 1,626,995</u> | | | <u>\$ 1,621,276</u> |
| <u>E.B.R. Parish Fire Protection District No. 6</u> | | | | |
| Land | \$ 43,000 | \$ -- | \$ -- | \$ 43,000 |
| Buildings | 456,930 | -- | -- | 456,930 |
| Equipment | 648,989 | -- | (13,420) | 635,569 |
| Equipment under capital leases | <u>278,628</u> | <u>255,898</u> | <u>--</u> | <u>534,526</u> |
| Total | 1,427,547 | 255,898 | (13,420) | 1,670,025 |
| Less: accumulated depreciation | <u>(681,075)</u> | | | <u>(751,815)</u> |
| Total E.B.R. Parish Fire Protection District No. 6 | <u>\$ 746,472</u> | | | <u>\$ 918,210</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Adjustments and Deletions</u> | <u>Balance End of Year</u> |
|---|--|------------------|--|------------------------------------|
| <u>Eastside Fire Protection District</u> | | | | |
| Land | \$ 151,360 | \$ -- | \$ -- | \$ 151,360 |
| Buildings | 1,509,509 | -- | 12,920 | 1,522,429 |
| Equipment | 700,569 | 28,066 | (12,920) | 715,715 |
| Equipment under capital leases | 440,613 | -- | -- | 440,613 |
| Total | 2,802,051 | 28,066 | -- | 2,830,117 |
| Less: accumulated depreciation | (721,908) | | | (845,438) |
| Total Eastside Fire Protection District | <u>\$ 2,080,143</u> | | | <u>\$ 1,984,679</u> |
| <u>Pride Fire Protection District</u> | | | | |
| Land | \$ 15,000 | \$ -- | \$ -- | \$ 15,000 |
| Buildings | 135,353 | -- | -- | 135,353 |
| Equipment | 180,146 | -- | -- | 180,146 |
| Total | 330,499 | -- | -- | 330,499 |
| Less: accumulated depreciation | (130,995) | | | (158,786) |
| Total Pride Fire Protection District | <u>\$ 199,504</u> | | | <u>\$ 171,713</u> |
| <u>Chaneyville Fire Protection District</u> | | | | |
| Buildings | \$ 109,334 | \$ -- | \$ -- | \$ 109,334 |
| Equipment | 204,984 | 25,000 | -- | 229,984 |
| Total | 314,318 | 25,000 | -- | 339,318 |
| Less: accumulated depreciation | (236,887) | | | (277,350) |
| Total Chaneyville Fire Protection District | <u>\$ 77,431</u> | | | <u>\$ 61,968</u> |
| <u>Alsen-St. Irma Lee Fire Protection District</u> | | | | |
| Land | \$ 9,000 | \$ -- | \$ -- | \$ 9,000 |
| Buildings | 256,496 | -- | -- | 256,496 |
| Equipment | 256,039 | -- | (53,015) | 203,024 |
| Equipment under capital lease | 256,663 | -- | -- | 256,663 |
| Total | 778,198 | -- | (53,015) | 725,183 |
| Less: accumulated depreciation | (355,865) | | | (336,077) |
| Total Alsen-St. Irma Lee Fire Protection District | <u>\$ 422,333</u> | | | <u>\$ 389,106</u> |
| <u>Capital Region Planning Commission</u> | | | | |
| Equipment | \$ 326,872 | \$ 30,510 | \$ -- | \$ 357,382 |
| Less: accumulated depreciation | (273,698) | | | (299,802) |
| Total Capital Region Planning Commission | <u>\$ 53,174</u> | | | <u>\$ 57,580</u> |
| <u>Capital Transportation Corporation</u> | | | | |
| Equipment | \$ 10,914,316 | \$1,698,192 | \$(516,901) | \$ 12,095,607 |
| Less: accumulated depreciation | (7,049,280) | | | (7,551,191) |
| Total Capital Transportation Corporation | <u>\$ 3,865,036</u> | | | <u>\$ 4,544,416</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 6 - Changes in Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued):

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Adjustments and Deletions</u> | <u>Balance End of Year</u> |
|---|--|--------------------|--|------------------------------------|
| Total component units capital assets | \$ 30,998,943 | <u>\$5,098,981</u> | <u>\$(1,031,220)</u> | \$ 35,066,704 |
| Less: total accumulated depreciation | <u>(17,579,684)</u> | | | <u>(18,775,684)</u> |
| Total component units capital assets, net | <u>\$ 13,419,259</u> | | | <u>\$ 16,291,020</u> |

NOTE 7 - Employees' Retirement Systems

a. Primary Government

1. Plan Description and Provisions

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS), a separate legal entity, administers an agent multiple-employer defined benefit pension plan. The participating local government employers include:

City of Baton Rouge, Parish of East Baton Rouge
District Attorney of the Nineteenth Judicial District
Nineteenth Judicial District Court
E.B.R. Parish Family Court
E.B.R. Parish Juvenile Court
St. George Fire Protection District
Brownsfield Fire Protection District
Central Fire Protection District
E.B.R. Parish Fire Protection District No. 6
Eastside Fire Protection District
East Baton Rouge Recreation and Park Commission (BREC) *

*Related Organization under GASB 14

The CPERS Retirement System is reported as a blended component unit of City-Parish as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Fiduciary Fund (pension trust fund) in the basic financial statements of the primary government.

The Retirement System was created by The Plan of Government and is governed by a seven member Board of Trustees. The board is responsible for administering the assets of the system and for making policy decisions regarding investments. The trustees are members of the Retirement System, except as noted below, and are selected in the following manner: 1) two are elected from non police and fire department employees; 2) one trustee each is elected from the Police and Fire Departments; 3) two people with business and accounting experience are appointed by the Metropolitan Council; 4) one is appointed by the Mayor-President. The two trustees appointed by the Metropolitan Council and the one appointed by the Mayor-President may or may not be members of the Retirement System. This is dependent on whether or not the appointees are City-Parish employees. All administrative expenses of the Retirement System are paid from funds of the system.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information which includes the regular account and the police guaranty trust account. Both trust accounts are administered by the CPERS Board. The financial report may be obtained by writing to:

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

1. Plan Description and Provisions (Continued)

Jeffrey R. Yates
Retirement Administrator
Employees' Retirement System
P.O. Box 1471
Baton Rouge, LA 70821-1471

The Retirement System reports its financial activities under the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. All required disclosures are included in their separately issued report. The primary government (City-Parish), as stated previously, reports the Retirement System as a Pension Trust Fund and has adopted the reporting requirements for an employer under GASB Statement No. 25 and GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Any person who becomes a regular full-time employee of the Primary Government, excluding commissioned law enforcement officers, becomes a member of the Retirement System as a condition of employment. An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years (Ordinance 10779).

Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits -
 - a. Granted with 25 years of service, regardless of age.
 - b. Defined as 3% of average compensation times the number of years of service.
2. Minimum eligibility benefits -
 - a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
 - b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. Benefits paid to employees shall not exceed 90% of average compensation. Benefits are reduced by 3% for each year below age 55, if service is less than 25 years.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Retirement System are prepared using the accrual basis of accounting. Contributions from participating plan employers and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

The investments of the Retirement System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

3. Concentrations of Investments

The Retirement System has no investments in any one organization representing 5% or more of the net assets available for pension benefits except for obligations of the federal government. There are no investments in loans to or leases with parties related to the pension plan. The investment activity of the Retirement System is subject to an investment policy adopted by the Board of Trustees and to oversight by the Board.

4. Funding Policy

The Plan of Government requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employee and employer contributions are made to properly fund the system. In 2003, employees made a mandatory contribution of 8% of gross earnings. The employer contribution rate during the 2003 fiscal year was 9.37% of active payroll for the General Fund and 16.66% of active payroll for all special funds and outside employers.

5. Annual Pension Cost and Net Pension Obligation for Regular Employees' Trust

The following information regarding the Retirement System's net pension obligation is based on the December 31, 2003, actuarial valuation:

| | |
|---|------------------------|
| Annual required contribution | \$18,479,710 |
| Interest on net pension obligation | 940,897 |
| Adjustment to annual required contribution | <u>(898,246)</u> |
| Annual pension cost | 18,522,361 |
| Contributions made | <u>14,067,801</u> |
| Increase (decrease) in net pension obligation | 4,454,560 |
| Net pension obligation beginning of year | <u>11,761,210</u> |
| Net pension obligation end of year | 16,215,770 |
| Less: Net pension obligation for related organization | <u>(1,308,009)</u> |
| Net pension obligation - Primary Government and Component Units | <u>\$14,907,761</u> |

The annual required contribution for the current year was determined as part of the December 31, 2003, actuarial valuation using the Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: (1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; (2) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (3) additional projected salary increases based on years of service and age attributable to seniority and merit; (4) no post-retirement benefit increases. The actuarial value of assets was determined using the Expected Value Method. This asset valuation method involves the determination of expected value, based on the actuarial asset value at the beginning of the previous year. The difference between the expected value and the market value for total (unrealized and realized) investment gains/losses is then reflected at the rate of 20% per year for each of the subsequent five years. This technique smooths the volatility of market value for investments.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

5. Annual Pension Cost and Net Pension Obligation for Regular Employees' Trust (Continued)

The initial Unfunded Actuarial Accrued Liability (UAAL) will be amortized over 30 years (closed amortization period) as a level percentage of payroll, assuming payroll increases of 4% per year during the first 15 years of the amortization period and 0% per year during the remaining 15 years. Each change in UAAL will be amortized over the greater of 20 years or the remaining amortization period for the initial UAAL, as a level percent of payroll assuming payroll increases 0% per year during the final 15 years of the amortization period and 4% per year for all years prior to the final 15 years. The remaining amortization period at December 31, 2003, is 21 years.

Three-Year Trend Information for the Retirement System

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) | Percentage of APC <u>Contributed</u> | Net Pension Obligation |
|---------------------------------|---------------------------------|--|------------------------------|
| 12/31/03 | \$18,522,361 | 76.0% | \$16,215,770 |
| 12/31/02 | 16,159,022 | 73.4 | 11,761,210 |
| 12/31/01 | 13,751,022 | 79.3 | 7,457,507 |

6. Police Guarantee Trust

The Police Guarantee Trust, a single-employee defined benefit pension plan, was established as part of CPERS on February 26, 2000, by the City-Parish and the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) as the result of the voluntary transfer of 637 public safety employees from CPERS to the Municipal Police Employees' Retirement System (MPERS). As a part of the transfer agreement, each officer signed a "Police Guarantee Agreement" with CPERS whereby each officer receives the same benefit he/she would have received if they had remained with CPERS. The CPERS Board of Trustees established a separate Police Guarantee Trust to administer benefits to the transferred officers. The benefits paid from the trust will equal the difference between the benefit the employee would have received from CPERS if the transfer had not taken place, and the benefit actually paid by MPERS. An initial investment of \$24.6 million was moved from the CPERS trust to the Police Guarantee Trust for the future administration of the benefits.

The December 31, 2003, actuarial valuation was conducted using the Aggregate Actuarial Cost Method, which does not identify or separately amortize unfunded actuarial liabilities. Under this method the excess actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called normal cost. The actuarial accrued liability is equal to the actuarial value of assets. The December 31, 2003, actuarial valuation concluded the trust had an actuarial loss of \$907,125, which will increase future normal costs by \$127,781. The allocation was based on earnings of the group. Significant actuarial assumptions include: (1) an investment return of 8% compounded annually on plan assets and (2) salary increases of 4% compounded annually due to inflation, longevity and merit increases. For the year ended December 31, 2003, the City-Parish made contributions of \$76,982 to the trust, equal to the annual required contribution. The City-Parish had no net pension obligation with respect to the Police Guarantee Trust under GASB Statement No. 27 at December 31, 2003.

7. Municipal Police Employees' Retirement System (MPERS)

The City-Parish contributes to the Municipal Police Employees' Retirement System (MPERS) Pension Plan, a cost sharing multiple-employer defined benefit pension plan administered by the MPERS Board of Trustees. MPERS covers any full-time public safety officer employed by a participating municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing said officer does not have to pay social security. Section 6 of this note describes the transfer of 637 public safety officers from CPERS to MPERS, effective February 26, 2000. All new public safety officers hired by the City-Parish after February 26, 2000, are required to join MPERS as a condition of employment. MPERS benefits are

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

7. Municipal Police Employees' Retirement System (MPERS) (Continued)

established by state statutes and may be amended at the discretion of the State Legislature. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Board of Trustees of the Municipal Police Employees' Retirement System, 8550 United Plaza Blvd., Suite 501, Baton Rouge, Louisiana 70809-0200.

Funding Policy

Contributions for all members and employers are established by state statute and may be amended by state statute when necessary. During 2003, Plan members contributed 7.5% of earned compensation while employers contributed 9% from January through June, and 15.25% from July through December. Earned compensation in the MPERS system excludes certain overtime, but includes state supplemental pay. The City-Parish's contributions to MPERS for the years ended December 31, 2003, 2002, and 2001, were \$3,175,100, \$2,290,190, and \$2,273,924, respectively. This was equal to the statutorily required contributions. The City-Parish had no net pension obligation with respect to MPERS under GASB Statement No. 27 at December 31, 2003.

b. Component Units

1. Capital Transportation Corporation Pension Plan

a. Plan Description

Employees of Capital Transportation Corporation (CTC) are members of the Capital Transportation Corporation Pension Trust Fund ("Plan"), a defined-benefit single employer pension plan. The Plan is administered by a local bank under the direction of a Board of Trustees. CTC issues a Comprehensive Annual Financial Report (CAFR) which includes the financial statements and required supplementary information for CTC's Pension Trust Fund. CTC has adopted the reporting provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. CTC's financial reports may be obtained by writing to:

Capital Transportation Corporation
Dwight Brashear, General Manager
2250 Florida Boulevard
Baton Rouge, LA 70802

Because CTC issues its own CAFR with detailed disclosures on the operations of its Pension Trust Fund and because said fund is immaterial to the Primary Government, the City-Parish has chosen to provide limited disclosure in accordance with the reporting provisions of GASB Statement No. 25 and No. 27. CTC pension trust fund is not reported in the fiduciary fund statements included as a basic financial statement of the primary government.

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CTC's Pension Trust Fund are prepared using the accrual basis of accounting. Contributions from CTC and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

1. Capital Transportation Corporation Pension Plan (Continued)

b. Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments

CTC's Pension Trust Fund investments, consisting of mutual funds, are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Corporation's annual pension cost and net pension asset for the year ended December 31, 2003, was as follows:

| | |
|--|-------------------------|
| Annual required contribution | \$220,276 |
| Interest on net pension asset | (58,492) |
| Adjustment to annual required contribution | <u>85,108</u> |
| Annual pension cost | 246,892 |
| Contributions made | <u>350,140</u> |
| Increase (decrease) in net pension asset | 103,248 |
| Net pension asset beginning of year | <u>835,603</u> |
| Net pension asset end of year | <u><u>\$938,851</u></u> |

**Trend Information for the Capital Transportation Corporation's
Pension Trust Fund**

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension Asset <u>Asset</u> |
|---------------------------------|--|--|---|
| 12/31/03 | \$246,892 | 141.8% | \$938,851 |
| 12/31/02 | 236,793 | 143.6 | 835,603 |
| 12/31/01 | 118,237 | 251.8 | 732,450 |

2. District Attorney of the Nineteenth Judicial District Defined-Benefit Pension Plans

The district attorney and assistant attorneys, whose salaries are paid by the State of Louisiana, and the Office of the District Attorney, are members of the Louisiana District Attorneys' Retirement System. This retirement system is a multiple employer cost sharing, defined-benefit, statewide public employee retirement system administered and controlled by a separate board of trustees.

The Louisiana District Attorneys' Retirement System (LDARS) provides retirement benefits as well as disability and survivor benefits. Benefits are established and amended by state statute. The LDARS issues a publicly available financial report that includes financial statements and required supplementary information for the LDARS. That report may be obtained by writing to the Louisiana District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, or by calling (225) 267-4824.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

2. District Attorney of the Nineteenth Judicial District Defined-Benefit Pension Plans (Continued)

Plan members are required to contribute 7.0% of their annual covered salary and the district attorney is required to contribute at an actuarially determined rate. Member contributions and employer contributions for the LDARS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. There were no employer contributions required for 2003, 2002 or 2001.

Certain other employees, whose salaries are paid by the Office of the District Attorney, are members of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System. The District Attorney's contributions for the year ended December 31, 2003, 2002, and 2001 were \$245,060, \$229,051, and \$208,622, respectively. Additional information on this system is included in Note 7(a)(1) above.

Trend Information for the District Attorney of the Nineteenth Judicial District Defined-Benefit
Pension Plan for Members Enrolled in the City of Baton Rouge and
Parish of East Baton Rouge Employees' Retirement System

| Fiscal Year <u>Ending</u> | Annual Pension <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
|---------------------------------|--|--|-------------------------------------|
| 12/31/03 | \$334,867 | 73.2% | \$308,355 |
| 12/31/02 | 325,278 | 70.4 | 218,548 |
| 12/31/01 | 278,199 | 76.1 | 122,320 |

3. Nineteenth Judicial District Court Pension Plans

Louisiana State Employees' Retirement System

The employees of the Commissioners' offices, whose salaries are paid from appropriations from the State of Louisiana, are members of the Louisiana State Employees' Retirement System ("System"), a cost-sharing, multiple-employer defined-benefit public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees which is administered and controlled by a separate board of trustees. The system provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system was established and provided for within Louisiana Revised Statute Title 11 Chapter 401. The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213.

Plan members are required by state statute to contribute 7.5% of gross salary to which the Commissioners' office adds 13.0% employer's match. The Commissioners' offices' statutory and actual contributions for the year ending June 30, 2003, 2002, and 2001 were \$42,996, \$23,221, and \$23,095, respectively.

Louisiana Clerk of Court Retirement and Relief Fund

Other court employees, whose salaries are expenditures of the Judicial Expense Fund are members of the Louisiana Clerk of Court Retirement and Relief Fund. See section b(5) of this note for disclosure on this multiple-employer cost-sharing PERS.

The Nineteenth Judicial District Court's contributions to the system for the years ended June 30, 2003, 2002 and 2001, were \$30,988, \$34,784, and \$50,203, respectively, which was equal to the required contributions for each year.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

4. Nineteenth Judicial District Indigent Defender Board Pension Plan

The Board contracted with A.G. Edwards in 1992 for a pension plan that paid 7.7% of the employees salary into a fully vested fund for each employee. This is a defined contribution plan and each employee will receive the amount in his individual fund at retirement. The Board pays all of the 7.7% contribution. There is no unfunded portion at December 31, 2003. Contributions during 2003, which were 100% funded, were \$104,236.

5. East Baton Rouge Parish Clerk of Court Pension Plan

Substantially all employees participate in the Louisiana Clerk of Courts Retirement and Relief Fund ("Fund"), a multiple-employer (cost-sharing), defined-benefit public employee retirement system (PERS), controlled and administered by a separate Board of Trustees. Plan members are required by state statute to contribute 8.25% of their annual covered salary and the E.B.R. Clerk of Court is required to contribute at an actuarially determined rate. The current rate is 10% of covered payroll. Contributions also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. Contribution requirements of both members and employers are established and amended by state statute. The E.B.R. Clerk of Court's contributions to the system for the years ending June 30, 2003, 2002, and 2001, were \$534,141, \$498,839, and \$441,897, respectively. These contributions were equivalent to the required contributions for each fiscal year.

Effective July 1, 1999, the East Baton Rouge Parish Clerk of Court could elect to pay all or a portion of the 8.25% employee retirement contribution which would otherwise be deducted from the employees' salary. This election can be changed annually by the Clerk. The East Baton Rouge Parish Clerk of Court elected to implement this policy for the years ended June 30, 2003, 2002, and 2001. The contributions to the System under this election were \$429,793, \$403,648 and \$359,650, respectively.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, LA 70816.

NOTE 8 - Postemployment Benefits

City-Parish employees are eligible to continue participation in the government's health, dental and life insurance programs upon retirement.

a. Health and Dental Benefits

All classified and unclassified employees of the City-Parish may at their option participate in the employees' group health and dental self insurance programs. Upon retirement the employee may continue his coverage paying the same premiums and receiving the same benefits as active employees. Retirees may continue coverage in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972.

During 2003, the premium plan was funded with employees and retirees contributing 25%-38% of the premium and the City-Parish contributing 62%-75% of the premium, dependent upon the number of family members covered. The employer's portion of retiree health and dental insurance premiums, historically have been paid by the general fund. Effective January 1, 2003, the current costs of these premiums have been allocated over all employers and funds that participate in the health and dental self-insurance programs.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 8 - Postemployment Benefits (Continued)

a. Health and Dental Benefits (Continued)

During 2003, the government recognized expenditures for postretirement health and dental benefits as follows:

| | <u>Average Number of Participants</u> | <u>Amount</u> |
|--------|---|---------------|
| Health | 1,732 | \$7,424,882 |
| Dental | 1,479 | 445,058 |

b. Life Insurance Benefits

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all City-Parish employees who retired after May 1, 1976, have \$3,000 of term life insurance coverage. As of December 31, 2003, approximately 1,713 retirees had the \$3,000 coverage with Prudential Life Insurance Company.

The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account. At December 31, 2003, the balance in the Insurance Continuance Account was \$34,633.

NOTE 9 - Risk Management

a. Types of Risk

The City-Parish is self-insured for unemployment compensation, workers' compensation, general liability, automobile liability, and police liability, including liability for probation officers and constables.

For fire and extended coverage, the City-Parish is self-insured for buildings and contents owned by the City-Parish with a combined value of less than \$1,000,000 and carries an insurance policy for all other locations with a combined \$1,000,000 deductible. There were no settlements that exceeded insurance coverage for the past three years.

b. Accounting for Risk

In accordance with GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and the 2002 *Codification of Governmental Accounting and Financial Reporting Standards* of the Governmental Accounting Standards Board, the City-Parish accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

Claims paid under the City-Parish self-insurance risk program are recorded as expenditures against the General Fund. Annual fees based on reduced market premiums are charged to special revenue funds and proprietary fund types, with corresponding credits to General Fund expenditures. Long-term obligations that are not expected to be liquidated with expendable available financial resources are reported in the Government-wide Statement of Net Assets under governmental activities. In order to provide for a method of paying judgments and claims in a manner to permit reasonably current payments, encourage compromise, reduce or eliminate interest and court costs, and permit budgeting without risk of reducing funds needed for necessary services and programs, the City-Parish Metropolitan Council adopted a compromised judgements "only" policy on November 26, 2002. The policy was designed to minimize the effect of increasing judgements against the City of Baton Rouge, and Parish of East Baton Rouge, to balance the claims of each individual against the needs of the public interest and common good of the parish, and to avoid overburdening the local economy and its taxpaying citizens with new or increased taxes that are already needed for essential programs and services.

There were no major changes in outside insurance coverage for the year ended December 31, 2003.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 9 - Risk Management (Continued)

c. Contingent Liabilities - Claims and Judgments

The City-Parish is a defendant in various tort claims and lawsuits involving general liability, automobile liability, personnel suits, and contractual matters. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, litigation and other claims against the City-Parish for which there is at least a reasonable possibility of loss are estimated by the Parish Attorney as of the balance sheet date.

The estimated amount of liability is based on current Louisiana laws and judgments rendered in similar matters. FASB No. 5 requires the accrual of a loss contingency if it is probable that an asset has been impaired or a liability incurred, whether or not it has been reported, and that the amount of loss can be reasonably estimated. In accordance with GASB Statement No. 30, *Risk Financing Omnibus*, claims liabilities are based on an estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effects of specific incremental claim adjustment expenses, salvage and subrogation.

An amount of \$27,065,923 has been recorded as a long-term obligation on the Government-wide Statement of Net Assets for estimated claims and judgments for risk management purposes. Incremental claim costs as required by GASB Statement No. 30, account for approximately 2% of that total. Subject to the aforementioned policy, it is the government's practice to pay claims and judgments against the City-Parish from available financial resources of the General Fund.

d. Employee Benefits

The City-Parish is self-insured and maintains a premium plan for the group health and dental programs, providing medical and dental coverage to those City-Parish employees who choose to participate. During 2003, the minimum premium plan was funded with employees and retirees contributing 25%-38% of the premium and the City-Parish contributing 62%-75% of the premium, dependent upon the number of family members covered. The government's share of the health and dental premium in the self-insured program is charged to individual budget accounts. Claims paid by the government in excess of the premium base for any given year are covered 100% by the General Fund. Any surplus of premiums over claims within a single fiscal year are recognized as "transfers in" to the General Fund and increase Fund Balance Designated for Insurance.

The value of self-insured claims incurred but not reported or paid as of December 31, 2003, for group health and dental are estimated by the government's third party health care provider as follows:

| | |
|---------------------|---------------------------|
| Self-funded medical | \$2,928,274 |
| Self-funded dental | <u>224,014</u> |
| Total estimate | <u><u>\$3,152,288</u></u> |

This amount has been included in the Government-wide Statement of Net Assets for December 31, 2003.

e. Changes in Liabilities for Claims

The following is a reconciliation of changes in long-term claims payable for the years ended December 31, 2003, 2002, and 2001:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|----------------------------|-----------------------------|-----------------------------|
| <u>Claims and judgments payable:</u> | | | |
| Beginning balance | \$26,438,012 | \$ 33,630,692 | \$ 30,491,378 |
| Additions: | | | |
| Claims incurred and new estimates | 6,180,271 | 10,570,455 | 17,214,780 |
| Deductions: | | | |
| Claims paid | (6,248,739) | (5,505,046) | (3,232,943) |
| Claims dismissed and changes in estimates | <u>696,379</u> | <u>(12,258,089)</u> | <u>(10,842,523)</u> |
| Ending balance | <u><u>\$27,065,923</u></u> | <u><u>\$ 26,438,012</u></u> | <u><u>\$ 33,630,692</u></u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 9 - Risk Management (Continued)

e. Changes in Liabilities for Claims (Continued):

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| <u>Employee benefits payable:</u> | | | |
| Beginning balance | \$ 4,960,358 | \$ 4,739,535 | \$ 4,082,211 |
| Additions: | | | |
| Claims incurred | 35,434,473 | 38,979,492 | 34,425,489 |
| Deductions: | | | |
| Claims paid | <u>(37,242,543)</u> | <u>(38,758,669)</u> | <u>(33,768,165)</u> |
| Ending balance | <u>\$ 3,152,288</u> | <u>\$ 4,960,358</u> | <u>\$ 4,739,535</u> |

f. Insurance Designation

The City-Parish maintains a practice of designating a portion of General Fund fund balance for self-insurance purposes. The amount designated for insurance at December 31, 2003, was determined as follows:

| | |
|--|---------------------|
| Insurance Designation, January 1, 2003 | \$19,800,975 |
| Less: Appropriations from Insurance Designation for risk management purposes | (2,294,077) |
| Plus: Increase in designation as a result of health and dental premiums exceeding current year claims | 5,683,198 |
| Plus: Additional amount designated for insurance by authority of the Budget Ordinance | 1,647,411 |
| Interest earned on designated funds during 2003 | <u>278,609</u> |
| Insurance Designation, December 31, 2003 | <u>\$25,116,116</u> |

NOTE 10 - Long-Term Debt

a. Primary Government

1. Summary of Changes in Long-Term Debt

Following is a summary of changes in long-term debt for the primary government for year 2003:

| | <u>Balance</u> <u>1/1/03</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>12/31/03</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------|----------------------|----------------------|-----------------------------------|--------------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Excess revenue contracts, loans and notes | \$ 77,838,500 | \$ -- | \$ 4,368,945 | \$ 73,469,555 | \$ 1,831,000 |
| Deferred gain on refunding | 952,453 | -- | 35,276 | 917,177 | -- |
| Revenue bonds payable, gross | 128,200,000 | -- | 9,715,000 | 118,485,000 | 10,375,000 |
| Less: Intragovernment payable | (52,553,416) | -- | (5,556,216) | (46,997,200) | (6,001,153) |
| Compensated absences payable | 10,597,793 | 7,257,072 | 4,615,152 | 13,239,713 | 9,017,797 |
| Obligation under capital leases (Note 10) | 141,109 | 132,071 | 165,564 | 107,616 | 48,780 |
| Claims and judgments payable (Note 9) | 26,438,012 | 6,180,271 | 5,552,360 | 27,065,923 | 1,961,749 |
| Employee benefits payable (Note 9) | 4,960,358 | 35,434,473 | 37,242,543 | 3,152,288 | 3,152,288 |
| Arbitrage payable for governmental fund types (Note 10) | 7,399 | -- | 7,399 | -- | -- |
| Net pension obligation (Note 7) | <u>8,478,507</u> | <u>3,054,378</u> | <u>--</u> | <u>11,532,885</u> | <u>--</u> |
| Total governmental activities | <u>\$205,060,715</u> | <u>\$ 52,058,265</u> | <u>\$ 56,146,023</u> | <u>\$200,972,957</u> | <u>\$20,385,461</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued):

1. Summary of Changes in Long-Term Debt (Continued)

| | <u>Balance</u> <u>1/1/03</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>12/31/03</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------|----------------------|----------------------|-----------------------------------|--------------------------------------|
| <u>Business-Type Activities:</u> | | | | | |
| Excess revenue contracts, loans and notes | \$ 4,896,505 | \$ 1,983,997 | \$ 85,500 | \$ 6,795,002 | \$ 126,200 |
| Revenue bonds payable | 250,030,000 | 112,720,000 | 116,505,000 | 246,245,000 | 8,740,000 |
| Net deferred amount on refunding and premiums | (2,103,188) | (96,942) | (297,142) | (1,902,988) | -- |
| Revenue bonds payable from City issues | 52,553,416 | -- | 5,556,216 | 46,997,200 | 6,001,153 |
| Landfill closure and postclosure care liability (Note 17) | 9,859,860 | 1,197,691 | -- | 11,057,551 | -- |
| Compensated absences payable | 974,382 | 354,896 | 271,223 | 1,058,055 | 1,058,055 |
| Net pension obligation (Note 7) | 1,798,210 | 606,448 | -- | 2,404,658 | -- |
| Total business-type activities | <u>\$318,009,185</u> | <u>\$116,766,090</u> | <u>\$122,120,797</u> | <u>\$312,654,478</u> | <u>\$15,925,408</u> |

Internal service funds serve predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$176,132 of compensated absences and \$262,911 of net pension obligation for internal service funds are included in the above amounts. Also, for the governmental activities, compensated absences, obligation under capital leases, arbitrage payable, and net pension obligation are liquidated by the governmental fund in which the liability is incurred. Claims and judgments payable and employee benefits payable are liquidated by the General Fund.

2. Schedule of Bonds Payable

The following is a schedule of bonds payable for the primary government at December 31, 2003:

| | <u>Interest</u> <u>Dates</u> | <u>Issue</u> <u>Date</u> | <u>Final</u> <u>Maturity</u> <u>Date</u> | <u>Original</u> <u>Authorized</u> <u>and Issued</u> | <u>Outstanding</u> |
|---|---------------------------------|-----------------------------|--|---|--------------------|
| <u>Governmental Activities:</u> | | | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | | | |
| City of Baton Rouge: | | | | | |
| 2002A Fixed Rate Taxable Refunding | 01/15-07/15 | 05/17/02 | 01/15/2029 | \$ 25,900,000 | \$ 25,035,000 |
| 2002B Fixed Rate Taxable Refunding | 01/15-07/15 | 10/01/02 | 01/15/2029 | 47,550,000 | 46,300,000 |
| Parish of East Baton Rouge: | | | | | |
| LA Community Development Authority | Monthly | 08/11/99 | 09/30/2020 | <u>7,643,873</u> | <u>2,134,555</u> |
| Total excess revenue contracts, loans and notes | | | | <u>81,093,873</u> | <u>73,469,555</u> |
| <u>Revenue bonds</u> | | | | | |
| City of Baton Rouge: | | | | | |
| 1993 Public Improvement Sales Tax | 02/01-08/01 | 10/01/93 | 08/01/2018 | 4,000,000 | 3,060,000 |
| 1997 Public Improvement Sales Tax | 02/01-08/01 | 10/01/97 | 08/01/2017 | 19,325,000 | 9,410,000 |
| 1998A Public Improvement Sales Tax | 02/01-08/01 | 11/01/98 | 08/01/2016 | 94,450,000 | 80,375,000 |
| 2001A Public Improvement Sales Tax | 02/01-08/01 | 08/15/01 | 08/01/2026 | 23,625,000 | 22,780,000 |
| Less: debt recorded in business- type activities | | | | (103,245,452) | (46,997,200) |
| Parish of East Baton Rouge: | | | | | |
| 1998C Public Improvement Sales Tax | 02/01-08/01 | 11/01/98 | 08/01/2008 | <u>4,600,000</u> | <u>2,860,000</u> |
| Total revenue bonds | | | | <u>42,754,548</u> | <u>71,487,800</u> |
| Total governmental activities | | | | <u>123,848,421</u> | <u>144,957,355</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

2. Schedule of Bonds Payable (Continued)

| | <u>Interest Dates</u> | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Original Authorized and Issued</u> | <u>Outstanding</u> |
|--|---------------------------|-----------------------|------------------------------------|---|----------------------|
| Business-Type Activities: | | | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | | | |
| City of Baton Rouge: | | | | | |
| LA Community Development Authority (Airport) | Monthly | 10/04/2001 | 11/30/2029 | \$ 6,920,902 | \$ 6,795,002 |
| <u>Revenue bonds</u> | | | | | |
| City of Baton Rouge: | | | | | |
| Revenue bonds payable from City issues | | | | 103,245,452 | 46,997,200 |
| Parish of East Baton Rouge: | | | | | |
| Sewer sales tax bonds: | | | | | |
| 1993 Public Improvement Sales Tax | 02/01-08/01 | 03/01/93 | 02/01/2018 | 30,200,000 | -- |
| 1993A Public Improvement Sales Tax | 02/01-08/01 | 10/01/93 | 02/01/2018 | 70,000,000 | -- |
| 1995 Public Improvement Sales Tax | 02/01-08/01 | 08/01/95 | 02/01/2020 | 36,000,000 | 1,475,000 |
| 1996 Public Improvement Sales Tax | 02/01-08/01 | 03/01/96 | 02/01/2021 | 65,000,000 | 57,805,000 |
| 1998B Public Improvement Sales Tax | 02/01-08/01 | 11/01/98 | 02/01/2016 | 16,825,000 | 15,565,000 |
| 1999 Public Improvement Sales Tax | 02/01-08/01 | 08/01/99 | 02/01/2024 | 43,000,000 | 38,780,000 |
| 2001B Public Improvement Sales Tax | 02/01-08/01 | 08/15/01 | 02/01/2026 | 20,000,000 | 19,900,000 |
| 2003A Public Improvement Sales Tax | 02/01-08/01 | 04/01/03 | 02/01/2020 | 112,720,000 | 112,720,000 |
| Greater Baton Rouge Parking Authority: | | | | | |
| 1978 Parking Garage | 01/01-07/01 | 01/01/78 | 07/01/2003 | 6,875,000 | -- |
| Total revenue bonds | | | | <u>503,865,452</u> | <u>293,242,200</u> |
| Total business-type activities | | | | <u>510,786,354</u> | <u>300,037,202</u> |
| Total all bonds, contracts, loans and notes | | | | <u>\$634,634,775</u> | <u>\$444,994,557</u> |

The City-Parish is in compliance with all legal debt covenants at December 31, 2003.

3. Changes in Bonds Payable

| | <u>Outstanding January 1, 2003</u> | <u>Issued</u> | <u>Retired</u> | <u>Outstanding December 31, 2003</u> |
|--|--|---------------|------------------|--|
| Governmental Activities: | | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | | |
| City of Baton Rouge: | | | | |
| 2002A Fixed Rate Taxable Refunding | \$ 25,900,000 | \$ -- | \$ 865,000 | \$ 25,035,000 |
| 2002B Fixed Rate Taxable Refunding | 47,550,000 | -- | 1,250,000 | 46,300,000 |
| Parish of East Baton Rouge: | | | | |
| LA Community Development Authority | <u>4,388,500</u> | <u>--</u> | <u>2,253,945</u> | <u>2,134,555</u> |
| Total excess revenue contracts, loans and notes | <u>77,838,500</u> | <u>--</u> | <u>4,368,945</u> | <u>73,469,555</u> |
| <u>Revenue bonds</u> | | | | |
| City of Baton Rouge: | | | | |
| 1993 Public Improvement Sales Tax | 3,190,000 | -- | 130,000 | 3,060,000 |
| 1997 Public Improvement Sales Tax | 11,390,000 | -- | 1,980,000 | 9,410,000 |
| 1998A Public Improvement Sales Tax | 87,035,000 | -- | 6,660,000 | 80,375,000 |
| 2001A Public Improvement Sales Tax | 23,220,000 | -- | 440,000 | 22,780,000 |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

3. Changes in Bonds Payable (Continued)

| | Outstanding January 1, 2003 | <u>Issued</u> | <u>Retired</u> | Outstanding December 31, 2003 |
|---|-----------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Activities (Continued): | | | | |
| <u>Revenue bonds (Continued)</u> | | | | |
| Less: debt recorded in business-type activities | \$(52,553,416) | \$ -- | \$ (5,556,216) | \$(46,997,200) |
| Parish of East Baton Rouge: | | | | |
| 1998C Public Improvement Sales Tax | <u>3,365,000</u> | <u>--</u> | <u>505,000</u> | <u>2,860,000</u> |
| Total revenue bonds | <u>75,646,584</u> | <u>--</u> | <u>4,158,784</u> | <u>71,487,800</u> |
| Total governmental activities | <u>153,485,084</u> | <u>--</u> | <u>8,527,729</u> | <u>144,957,355</u> |
| <u>Business-Type Activities:</u> | | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | | |
| City of Baton Rouge: | | | | |
| LA Community Development Authority (Airport) | <u>4,896,505</u> | <u>1,983,997</u> | <u>85,500</u> | <u>6,795,002</u> |
| <u>Revenue bonds</u> | | | | |
| City of Baton Rouge: | | | | |
| Revenue bonds payable from City issues | 52,553,416 | -- | 5,556,216 | 46,997,200 |
| Parish of East Baton Rouge: | | | | |
| Sewer sales tax bonds: | | | | |
| 1993 Public Improvement Sales Tax | 24,370,000 | -- | 24,370,000 | -- |
| 1993A Public Improvement Sales Tax | 55,540,000 | -- | 55,540,000 | -- |
| 1995 Public Improvement Sales Tax | 33,690,000 | -- | 32,215,000 | 1,475,000 |
| 1996 Public Improvement Sales Tax | 59,725,000 | -- | 1,920,000 | 57,805,000 |
| 1998B Public Improvement Sales Tax | 16,440,000 | -- | 875,000 | 15,565,000 |
| 1999 Public Improvement Sales Tax | 39,760,000 | -- | 980,000 | 38,780,000 |
| 2001B Public Improvement Sales Tax | 19,945,000 | -- | 45,000 | 19,900,000 |
| 2003A Public Improvement Sales Tax | -- | 112,720,000 | -- | 112,720,000 |
| Greater Baton Rouge Parking Authority: | | | | |
| 1978 Parking Garage | <u>560,000</u> | <u>--</u> | <u>560,000</u> | <u>--</u> |
| Total revenue bonds | <u>302,583,416</u> | <u>112,720,000</u> | <u>122,061,216</u> | <u>293,242,200</u> |
| Total business-type activities | <u>307,479,921</u> | <u>114,703,997</u> | <u>122,146,716</u> | <u>300,037,202</u> |
| Total all bonds, contracts, loans and notes | <u>\$460,965,005</u> | <u>\$114,703,997</u> | <u>\$130,674,445</u> | <u>\$444,994,557</u> |

4. Interest Requirements to Maturity

The following is a summary of bonded debt at December 31, 2003, and interest requirements to maturity:

| | Debt Payable 12/31/03 | Interest Requirements to Maturity | Total |
|---|--------------------------|---|--------------------|
| Governmental Activities: | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | |
| City of Baton Rouge: | | | |
| 2002A Fixed Rate Taxable Refunding (5.65%)** | \$ 25,035,000 | \$ 21,342,426 | \$ 46,377,426 |
| 2002B Fixed Rate Taxable Refunding (5.73%)** | 46,300,000 | 41,575,253 | 87,875,253 |
| Parish of East Baton Rouge: | | | |
| LA Community Development Authority | <u>2,134,555</u> | <u>142,063</u> | <u>2,276,618</u> |
| Total excess revenue contracts, loans and notes | <u>73,469,555</u> | <u>63,059,742</u> | <u>136,529,297</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

4. Interest Requirements to Maturity (Continued)

| | <u>Debt Payable</u> <u>12/31/03</u> | <u>Interest</u> <u>Requirements</u> <u>to Maturity</u> | <u>Total</u> |
|--|--|--|--------------------------|
| Governmental Activities (Continued): | | | |
| <u>Revenue bonds</u> | | | |
| City of Baton Rouge: | | | |
| 1993 Public Improvement Sales Tax (5.13%)* | \$ 3,060,000 | \$ 1,354,620 | \$ 4,414,620 |
| 1997 Public Improvement Sales Tax (4.79%)* | 9,410,000 | 1,956,387 | 11,366,387 |
| 1998A Public Improvement Sales Tax (4.43%)** | 80,375,000 | 24,219,275 | 104,594,275 |
| 2001A Public Improvement Sales Tax (4.85%)** | 22,780,000 | 15,261,177 | 38,041,177 |
| Less: Debt recorded in business-type activities | (46,997,200) | (17,614,828) | (64,612,028) |
| Parish of East Baton Rouge: | | | |
| 1998C Public Improvement Sales Tax (4.11%)** | <u>2,860,000</u> | <u>362,243</u> | <u>3,222,243</u> |
| Total revenue bonds | <u>71,487,800</u> | <u>25,538,874</u> | <u>97,026,674</u> |
| Total governmental activities | <u>144,957,355</u> | <u>88,598,616</u> | <u>233,555,971</u> |
| Business-Type Activities: | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | |
| City of Baton Rouge: | | | |
| LA Community Development Authority (Airport) | <u>6,795,002</u> | <u>2,537,355</u> | <u>9,332,357</u> |
| <u>Revenue bonds</u> | | | |
| City of Baton Rouge: | | | |
| Revenue bonds payable from City issues | 46,997,200 | 17,614,828 | 64,612,028 |
| Parish of East Baton Rouge: | | | |
| Sewer sales tax bonds: | | | |
| 1995 Public Improvement Sales Tax (5.97%)* | 1,475,000 | 120,600 | 1,595,600 |
| 1996 Public Improvement Sales Tax (5.66%)* | 57,805,000 | 31,565,304 | 89,370,304 |
| 1998B Public Improvement Sales Tax (4.66%)** | 15,565,000 | 5,367,050 | 20,932,050 |
| 1999 Public Improvement Sales Tax (5.69%)** | 38,780,000 | 27,996,528 | 66,776,528 |
| 2001B Public Improvement Sales Tax (5.02%)** | 19,900,000 | 16,548,990 | 36,448,990 |
| 2003A Public Improvement Sales Tax (4.04%)** | <u>112,720,000</u> | <u>49,251,525</u> | <u>161,971,525</u> |
| Total revenue bonds | <u>293,242,200</u> | <u>148,464,825</u> | <u>441,707,025</u> |
| Total business-type activities | <u>300,037,202</u> | <u>151,002,180</u> | <u>451,039,382</u> |
| Total all bonds, contracts, loans and notes | <u>\$444,994,557</u> | <u>\$239,600,796</u> | <u>\$684,595,353</u> |

* Net interest cost (NIC)

** True interest cost (TIC)

During 1998, the City-Parish changed its policy for awarding competitive bids for sales tax revenue bonds from net interest cost to true interest cost.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

5. Debt Service Requirements to Maturity

The annual requirements to amortize all bonded debt outstanding, including principal and interest, are as follows:

Governmental Activities:

| <u>Year</u> | <u>Excess Revenue Contracts, Loans and Notes</u> | | | <u>Revenue Bonds</u> | | | <u>Total Governmental Activities</u> |
|-------------|--|---------------------|----------------------|----------------------|---------------------|---------------------|--|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2004 | \$ 1,831,000 | \$ 3,784,562 | \$ 5,615,562 | \$ 4,373,847 | \$ 2,341,744 | \$ 6,715,591 | \$ 12,331,153 |
| 2005 | 1,879,000 | 3,742,558 | 5,621,558 | 4,913,466 | 2,331,203 | 7,244,669 | 12,866,227 |
| 2006 | 1,935,000 | 3,692,319 | 5,627,319 | 5,615,603 | 2,191,198 | 7,806,801 | 13,434,120 |
| 2007 | 2,011,500 | 3,632,718 | 5,644,218 | 5,716,214 | 2,032,335 | 7,748,549 | 13,392,767 |
| 2008 | 2,093,500 | 3,563,925 | 5,657,425 | 4,732,249 | 1,888,889 | 6,621,138 | 12,278,563 |
| 2009-2013 | 9,954,555 | 16,562,415 | 26,516,970 | 24,009,339 | 8,700,537 | 32,709,876 | 59,226,846 |
| 2014-2018 | 12,375,000 | 13,749,366 | 26,124,366 | 12,906,248 | 3,864,605 | 16,770,853 | 42,895,219 |
| 2019-2023 | 16,090,000 | 9,821,008 | 25,911,008 | 5,325,834 | 1,791,363 | 7,117,197 | 33,028,205 |
| 2024-2028 | 21,590,000 | 4,402,248 | 25,992,248 | 3,895,000 | 397,000 | 4,292,000 | 30,284,248 |
| 2029 | <u>3,710,000</u> | <u>108,623</u> | <u>3,818,623</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>3,818,623</u> |
| Total | <u>\$73,469,555</u> | <u>\$63,059,742</u> | <u>\$136,529,297</u> | <u>\$71,487,800</u> | <u>\$25,538,874</u> | <u>\$97,026,674</u> | <u>\$233,555,971</u> |

Business-Type Activities:

| <u>Year</u> | <u>Excess Revenue Contracts, Loans and Notes</u> | | | <u>Revenue Bonds</u> | | | <u>Total Business-Type Activities</u> |
|-------------|--|--------------------|--------------------|----------------------|----------------------|----------------------|---|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2004 | \$ 126,200 | \$ 158,752 | \$ 284,952 | \$ 14,741,153 | \$ 15,842,070 | \$ 30,583,223 | \$ 30,868,175 |
| 2005 | 132,500 | 155,714 | 288,214 | 15,361,534 | 14,892,162 | 30,253,696 | 30,541,910 |
| 2006 | 140,700 | 152,500 | 293,200 | 14,689,397 | 13,936,945 | 28,626,342 | 28,919,542 |
| 2007 | 148,100 | 149,112 | 297,212 | 15,648,786 | 13,046,623 | 28,695,409 | 28,992,621 |
| 2008 | 156,400 | 145,525 | 301,925 | 16,517,751 | 12,137,202 | 28,654,953 | 28,956,878 |
| 2009-2013 | 916,300 | 666,832 | 1,583,132 | 80,290,661 | 45,755,839 | 126,046,500 | 127,629,632 |
| 2014-2018 | 1,189,800 | 543,821 | 1,733,621 | 82,358,752 | 25,238,850 | 107,597,602 | 109,331,223 |
| 2019-2023 | 1,546,000 | 383,893 | 1,929,893 | 45,094,166 | 7,164,009 | 52,258,175 | 54,188,068 |
| 2024-2028 | 2,009,200 | 176,099 | 2,185,299 | 8,540,000 | 451,125 | 8,991,125 | 11,176,424 |
| 2029 | <u>429,802</u> | <u>5,107</u> | <u>434,909</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>434,909</u> |
| Total | <u>\$6,795,002</u> | <u>\$2,537,355</u> | <u>\$9,332,357</u> | <u>\$293,242,200</u> | <u>\$148,464,825</u> | <u>\$441,707,025</u> | <u>\$451,039,382</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

6. Future Year Obligations

Principal and interest requirements of various bond issues for the year 2004 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
|--|---------------------|---------------------|---------------------------|
| Governmental Activities: | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | |
| City of Baton Rouge: | | | |
| 2002A Fixed Rate Taxable Refunding | \$ 565,000 | \$ 1,296,954 | \$ 1,861,954 |
| 2002B Fixed Rate Taxable Refunding | 935,000 | 2,444,311 | 3,379,311 |
| Parish of East Baton Rouge: | | | |
| LA Community Development Authority | <u>331,000</u> | <u>43,297</u> | <u>374,297</u> |
| Total excess revenue contracts, loans and notes | <u>1,831,000</u> | <u>3,784,562</u> | <u>5,615,562</u> |
| <u>Revenue bonds</u> | | | |
| City of Baton Rouge: | | | |
| 1993 Public Improvement Sales Tax | 140,000 | 150,205 | 290,205 |
| 1997 Public Improvement Sales Tax | 2,100,000 | 431,425 | 2,531,425 |
| 1998A Public Improvement Sales Tax | 7,135,000 | 4,108,050 | 11,243,050 |
| 2001A Public Improvement Sales Tax | 475,000 | 1,122,623 | 1,597,623 |
| Less: Debt recorded in business-type activities | (6,001,153) | (3,587,081) | (9,588,234) |
| Parish of East Baton Rouge: | | | |
| 1998C Public Improvement Sales Tax | <u>525,000</u> | <u>116,522</u> | <u>641,522</u> |
| Total revenue bonds | <u>4,373,847</u> | <u>2,341,744</u> | <u>6,715,591</u> |
| Total governmental activities | <u>6,204,847</u> | <u>6,126,306</u> | <u>12,331,153</u> |
| Business-Type Activities: | | | |
| <u>Excess revenue contracts, loans and notes</u> | | | |
| City of Baton Rouge: | | | |
| LA Community Development Authority (Airport) | <u>126,200</u> | <u>158,752</u> | <u>284,952</u> |
| <u>Revenue bonds</u> | | | |
| City of Baton Rouge | | | |
| Plus: Revenue bonds payable from City issues | 6,001,153 | 3,587,081 | 9,588,234 |
| Parish of East Baton Rouge: | | | |
| Sewer sales tax bonds: | | | |
| 1995 Public Improvement Sales Tax | 705,000 | 89,800 | 794,800 |
| 1996 Public Improvement Sales Tax | 2,090,000 | 3,212,227 | 5,302,227 |
| 1998B Public Improvement Sales Tax | 930,000 | 702,200 | 1,632,200 |
| 1999 Public Improvement Sales Tax | 1,040,000 | 2,185,772 | 3,225,772 |
| 2001B Public Improvement Sales Tax | 45,000 | 1,003,390 | 1,048,390 |
| 2003A Public Improvement Sales Tax | <u>3,930,000</u> | <u>5,061,600</u> | <u>8,991,600</u> |
| Total revenue bonds | <u>14,741,153</u> | <u>15,842,070</u> | <u>30,583,223</u> |
| Total business-type activities | <u>14,867,353</u> | <u>16,000,822</u> | <u>30,868,175</u> |
| Total all bonds, contracts, loans and notes | <u>\$21,072,200</u> | <u>\$22,127,128</u> | <u>\$43,199,328</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

7. Legal Debt Margin - General Obligation Bonds

Computation of legal debt margin for general obligation bonds payable from ad valorem tax is as follows:

Governing Authority: City of Baton Rouge

Ad valorem taxes:

| | |
|------------------------------------|------------------------|
| Assessed valuation, 2003 tax rolls | <u>\$1,204,843,075</u> |
|------------------------------------|------------------------|

| | |
|---|----------------|
| Debt limit: 10% of assessed valuation (for any one purpose) | \$ 120,484,308 |
|---|----------------|

| | |
|---|-------------|
| Debt limit: 15% of assessed valuation (for sewerage purposes) | 180,726,461 |
|---|-------------|

| | |
|---|-------------|
| Debt limit: 35% of assessed valuation (aggregate, all purposes) | 421,695,076 |
|---|-------------|

There are no outstanding bonds secured by ad valorem taxes of the City of Baton Rouge at this time.

Governing Authority: Parish of East Baton Rouge

Ad valorem taxes:

| | |
|------------------------------------|------------------------|
| Assessed valuation, 2003 tax rolls | <u>\$2,669,273,996</u> |
|------------------------------------|------------------------|

| | |
|---|----------------|
| Debt limit: 10% of assessed valuation (for any one purpose) | \$ 266,927,400 |
|---|----------------|

| | |
|---|-------------|
| Debt limit: 15% of assessed valuation (for sewerage purposes) | 400,391,099 |
|---|-------------|

There are no outstanding bonds secured by ad valorem taxes of the Parish of East Baton Rouge at this time.

Governing Authority: East Baton Rouge Sewerage Commission

Ad valorem taxes:

| | |
|------------------------------------|------------------------|
| Assessed valuation, 2003 tax rolls | <u>\$2,669,273,996</u> |
|------------------------------------|------------------------|

| | |
|---|----------------|
| Debt limit: 15% of assessed valuation (for sewerage purposes) | \$ 400,391,099 |
|---|----------------|

There are no outstanding bonds secured by ad valorem taxes of the East Baton Rouge Sewerage Commission at this time.

The Louisiana Constitution gives East Baton Rouge Parish, any municipal corporation in the parish and any sewerage district in the parish the power to incur debt and issue bonds for sewerage purposes up to a maximum of 15% of the assessed valuation of the taxable property in such subdivision. Louisiana Revised Statutes limit the Parish's bonded debt for other purposes to 10% of the assessed valuation of the taxable property for one purpose and 35% for all purposes.

Excess revenue contracts, loans and notes are secured by the general property tax levied for operation of the General Fund. They are payable through excess revenues of the General Fund budget and required approval by the Louisiana State Bond Commission. The debt obligations are issued on the authority of the Metropolitan Council and do not require a referendum from taxpayers.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

8. 2% Sales Tax Revenue Bonds

The City of Baton Rouge and the Parish of East Baton Rouge, each levy a two percent sales and use tax on all goods and services within their respective taxing districts. Since 1989, both the City of Baton Rouge and the Parish of East Baton Rouge have authorized the issuance of Public Improvement Sales Tax Bonds secured by this sales tax for the purpose of constructing and improving public facilities, advance refunding outstanding parity bond issues when market rates made it advantageous, providing a debt service reserve for each respective issue, and paying the issuance costs thereof.

Act No. 328 of the 1988 Regular Session of the Louisiana Legislature, House Bill No. 1599, Section 8(a) imposes a limit on the debt service obligations that can be outstanding of 40% of the gross avails of the sales and use tax for both the city and the parish 2% sales and use tax. The legal debt calculation as of December 31, 2003, is as follows:

| | City | Parish |
|--|----------------------|----------------------|
| Actual 2003 Revenues | <u>\$ 77,647,297</u> | <u>\$ 52,216,998</u> |
| Debt Capacity Before Outstanding Bonds (40%) | 31,058,919 | 20,886,799 |
| Highest Annual Debt Service on Outstanding Bonds | <u>14,121,483</u> | <u>648,723</u> |
| Debt Capacity | \$ 16,937,436 | \$ 20,238,076 |
| Interest factor for \$1 of debt, 6%, 25 years | 0.078226718 | 0.078226718 |
| Additional Bond Capacity (25 Years at 6%) | <u>\$216,517,277</u> | <u>\$258,710,534</u> |

These bonds are paid through the City Sales Tax Bonds Debt Service Fund and the Parish Sales Tax Bonds Debt Service Fund. Sinking fund payments are made monthly with bond interest and/or principal payments due February 1 and August 1 of each year. As of December 31, 2003, the following issues are outstanding:

| <u>Bond Issue</u> | <u>Outstanding 12/31/2003</u> | <u>Primary Purpose of Issue</u> |
|-----------------------------|-----------------------------------|---|
| City of Baton Rouge: | | |
| \$ 4,000,000; Series 1993 | \$ 3,060,000 | Improvements to public buildings and facilities |
| \$19,325,000; Series 1997 | 9,410,000 | Airport terminal development program and landfill improvements |
| \$94,450,000; Series 1998A | 80,375,000 | Advance refunding parity bond issues and improvements to public buildings |
| \$23,625,000; Series 2001A | <u>22,780,000</u> | Fund local match for the Centroplex expansion project, refund PFC note |
| Total | <u>\$115,625,000</u> | |
| Parish of East Baton Rouge: | | |
| \$4,600,000; Series 1998C | <u>\$ 2,860,000</u> | Advance refunding parity bond issues and improvements to public buildings |

All of the above governmental fund type sales tax revenue bonds issued by the City of Baton Rouge and Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the respective entity's two percent sales and use tax.

9. 1/2% Sewer Sales Tax Revenue Bonds

In April 1988, the general electorate authorized an additional parish-wide one-half of one percent sales and use tax specifically for sewerage purposes. The Parish of East Baton Rouge is authorized to issue debt secured by this additional one-half percent sewer sales tax for the purpose of constructing sewerage related capital improvements, advance refunding outstanding parity bond issues when market rates make it advantageous, providing a debt service reserve for each respective issue, and paying the issuance costs thereof.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

9. 1/2% Sewer Sales Tax Revenue Bonds (Continued)

Louisiana Revised Statute 39:698.5 requires that the maturities of the bonds shall be so arranged that the total amount of principal and interest falling due in any year, together with principal and interest falling due in any year on all parity bonds theretofore issued, and then outstanding, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority to be received by it in the calendar year in which bonds are issued. The legal debt calculation as of December 31, 2003, is as follows:

| | |
|--|---------------------|
| Anticipated revenues based on 2004 annual operating budget | <u>\$30,928,560</u> |
| Debt Capacity Before Outstanding Bonds (75%) | 23,196,420 |
| Highest Annual Debt Service on Outstanding Bonds | <u>21,327,218</u> |
| Debt Capacity | \$ 1,869,202 |
| Interest factor for \$1 of debt, 6%, 25 year | 0.078226718 |
| Additional Bond Capacity (25 Years at 6%) | <u>\$23,894,674</u> |

These bonds are accounted for in the Comprehensive Sewerage System Enterprise Fund. Sinking fund payments are made monthly with bond interest and/or principal payments due February 1 and August 1 of each year. As of December 31, 2003, the following issues are outstanding:

| <u>Bond Issue</u> | <u>Outstanding 12/31/2003</u> | <u>Primary Purpose of Issue</u> |
|------------------------------|-----------------------------------|---|
| Parish of East Baton Rouge: | | |
| Sewer Sales Tax Bonds: | | |
| \$36,000,000; Series ST-1995 | \$ 1,475,000 | Sewerage Capital Improvements Program |
| \$65,000,000; Series ST-1996 | 57,805,000 | Advance Refunding Parity Bond Issues |
| \$16,825,000; Series 1998B | 15,565,000 | Advance Refunding Parity Bond Issues |
| \$43,000,000; Series 1999 | 38,780,000 | Sewerage Capital Improvements Program |
| \$20,000,000; Series 2001B | 19,900,000 | Sewerage Capital Improvements Program |
| \$112,720,000; Series 2003A | <u>112,720,000</u> | Advance Refunding Parity Bonds and Sewer Construction |
| Total | <u>\$246,245,000</u> | |

All of the above proprietary fund sales tax revenue bonds issued by the Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the special one-half percent sales and use tax dedicated to sewerage purposes.

10. Obligations of Intragovernmental Agencies

The City and the Parish has issued debt to fund certain enterprise operations on the strength of its general operating 2% sales tax revenues. In turn, the Greater Baton Rouge Airport District and the Comprehensive Sewerage System Fund have signed promissory notes to the General Fund to repay the debt service. The following obligations are recorded in proprietary funds in the government-wide and fund basic financial statements. An adjustment for the outstanding debt is shown as a reduction of governmental activities long-term debt in the government-wide financial statements.

a. Greater Baton Rouge Airport District - 1980 Obligation

On March 15, 1980, the City of Baton Rouge issued \$11,300,000 of Airport Improvement Bonds. Concurrently, the Greater Baton Rouge Airport District signed an \$11,300,000 long-term obligation to the City of Baton Rouge bearing an interest rate of 7.86%. This long-term obligation requires that annual payments be made to the City for the use, possession, and control of the improvements constructed with the bond proceeds. The bonds matured on March 15, 1992, but the long-term obligation to the City remains in effect with semi-annual payments to be made over a 25 year period.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

10. Obligations of Intragovernmental Agencies (Continued)

a. Greater Baton Rouge Airport District - 1980 Obligation (Continued)

Payments to the City by the Airport District are recorded as miscellaneous revenues in the General Fund. Improvements constructed with the bond proceeds are recorded as assets and as a long-term obligation of the Airport District. Total principal paid prior to 2003 was \$8,357,339. In 2003, a principal payment of \$907,672 reduced the obligation payable to \$2,034,989. Scheduled maturities are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|--------------------|------------------|--------------------|
| 2004 | \$ 979,015 | \$121,474 | \$1,100,489 |
| 2005 | <u>1,055,974</u> | <u>41,499</u> | <u>1,097,473</u> |
| Total | <u>\$2,034,989</u> | <u>\$162,973</u> | <u>\$2,197,962</u> |

b. Greater Baton Rouge Airport District - 1997 Obligations

On October 22, 1997, the City of Baton Rouge issued \$19,325,000 in Public Improvement Sales Tax Revenue Bonds, Series 1997, for the purpose of financing a portion of the costs of construction (\$14,946,000) of certain improvements in the Terminal Development Project as well as other City-Parish construction projects. The Greater Baton Rouge Airport District obligated itself under two negotiated promissory notes and the Amended Intergovernmental Contract (Airport-Airline Lease Agreement) dated November 1, 1997, to make semi-annual payments to the City General Fund over a nine year period. The Airport signed two separate promissory notes to the General Fund, the first note in an amount of \$7,297,000 was pledged from the airport rates and charges, the second note in an amount of \$7,649,000 was pledged from the passenger facility charge (PFC) as authorized by the Federal Aviation Administration.

On September 5, 2001 the Airport refinanced its PFC note to the General Fund with a portion of the proceeds of the City of Baton Rouge, August 1, 2001, Public Improvement Sales Tax Revenues Bonds, Series 2001A. The remaining principal amount of \$5,212,000 on the 1997 PFC note was refunded and replaced with the 2001 PFC note. State and local government securities were purchased with the these proceeds and will mature on the dates necessary to service the original 1997 City Debt.

Payments on the Rates and Charges obligation (\$7,297,000) to the City by the Airport District are recorded as miscellaneous revenues in the General Fund and as a long-term obligation of the Airport District. Total principal paid prior to 2003 was \$4,483,750. In 2003, a principal payment of \$1,042,417 reduced the obligation payable to \$1,770,833. Scheduled maturities are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|--------------------|------------------|--------------------|
| 2004 | \$1,104,667 | \$ 79,373 | \$1,184,040 |
| 2005 | <u>666,166</u> | <u>29,978</u> | <u>696,144</u> |
| Total | <u>\$1,770,833</u> | <u>\$109,351</u> | <u>\$1,880,184</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

10. Obligations of Intragovernmental Agencies (Continued)

c. Greater Baton Rouge Airport District - 2001 Passenger Facility Charge Obligation

The Greater Baton Rouge Airport District is obligated under the Second Amended Intergovernmental Contract dated August 1, 2001, and the Passenger Facility Charge Note of \$5,400,000 to make semi-annual payments to the City General Fund over a twenty-year period. Total principal paid prior to 2003 was \$181,250. In 2003, a principal payment of \$139,167 reduced the obligation payable to \$5,079,583. Scheduled maturities and interest are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|--------------------|--------------------|--------------------|
| 2004 | \$ 151,250 | \$ 247,347 | \$ 398,597 |
| 2005 | 164,166 | 235,247 | 399,413 |
| 2006 | 176,250 | 222,113 | 398,363 |
| 2007 | 191,250 | 209,748 | 400,998 |
| 2008 | 206,250 | 200,209 | 406,459 |
| 2009 and after | <u>4,190,417</u> | <u>1,498,456</u> | <u>5,688,873</u> |
| Total | <u>\$5,079,583</u> | <u>\$2,613,120</u> | <u>\$7,692,703</u> |

d. East Baton Rouge Sewerage Commission

On April 1, 1992, the City of Baton Rouge issued \$85,000,000 in Public Improvement Sales Tax Revenue Bonds, Series 1992A (20 year term), for the purpose of providing funds to finance the acquisition of an undivided interest in the sewerage system owned and/or operated by the East Baton Rouge Sewerage Commission (the "Commission"). The Commission used the proceeds to refund the outstanding portion of the \$27,000,000 Public Improvement Certificates of Indebtedness and to defease the callable portion of the \$70,000,000 Sewer Revenue Bonds, Series 1987. The Commission, through an act of credit sale, repurchased the undivided interest in the sewerage system previously sold to the City of Baton Rouge for \$76,999,452. This transaction is recorded as a long-term obligation in the Comprehensive Sewerage System Fund. Payments to the City by the Commission are required semi-annually over a 19 year period. These payments are recorded as miscellaneous revenues in the General Fund, and will fully offset the impact that the scheduled debt service payments on the \$85,000,000 Public Improvement Sales Tax Revenue Bonds have on the General Fund. Total principal paid prior to 2003 was \$35,420,697. In 2003, a \$3,466,960 principal payment reduced the obligation payable to \$38,111,795. Scheduled maturities and future interest payments are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|---------------------|---------------------|---------------------|
| 2004 | \$ 3,766,221 | \$ 3,138,887 | \$ 6,905,108 |
| 2005 | 4,095,228 | 2,828,702 | 6,923,930 |
| 2006 | 4,453,147 | 2,491,419 | 6,944,566 |
| 2007 | 4,842,536 | 2,124,657 | 6,967,193 |
| 2008 and after | <u>20,954,663</u> | <u>4,145,719</u> | <u>25,100,382</u> |
| | <u>\$38,111,795</u> | <u>\$14,729,384</u> | <u>\$52,841,179</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Louisiana Community Development Authority Loans

In 1999, the Metropolitan Council authorized the Parish to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of the Advanced Traffic Management Facility and other capital programs of the City-Parish. A total of \$7,643,873 was loaned to the Parish on the 1999 program. A total of \$5,509,318 has been repaid, leaving an outstanding balance on this loan of \$2,134,555 as of December 31, 2003. Future debt service is budgeted over a 16 year period at 2.8%.

In 2001, the City applied for an additional LCDA Loan for the Greater Baton Rouge Airport District to provide funds for airport improvements. A total of \$6,920,902 has been loaned to the City and \$125,900 in principal has been repaid. As of December 31, 2003, the airport enterprise fund has recorded a direct obligation of \$6,795,002. Future debt service is budgeted over a 26 year period at 2.36%. Total LCDA authorization for the loan to the Airport is \$9,000,000. Funds are drawn down as the expenses are made on airport projects. Additional loan proceeds are expected to be appropriated and drawn-down during year 2004.

The interest rate on both notes fluctuate weekly with changes in the Bond Market Association (BMA) Municipal Swap Index.

12. Governmental Funds Taxable Bonds

In 2000, the City of Baton Rouge entered into a merger agreement with the State Municipal Police Employees' Retirement System (MPERS) effective February 26, 2000. The City offered a voluntary transfer to City law enforcement employees that qualified to enter into the State system. The City signed a long-term note with MPERS in the amount of \$72,738,769. The 30 year note amount represented 60% of the initial merger liability for transferred police officer MPERS retirement benefits on February 26, 2000. The note bore interest at 7% per annum. Principal and interest were payable on the first day of each calendar quarter. During 2002, the note was entirely retired by the following two transactions.

On May 17, 2002, the City of Baton Rouge issued variable rate taxable bonds in the amount of \$25,900,000, to refund one-third of the MPERS Note and to retire \$1,840,463 of an outstanding legal judgment attributable to the City-Parish Employees Retirement System (CPERS). These variable-rate bonds were converted to a fixed rate in accordance with provisions provided in the original issue on March 6, 2003. The fixed-rate bonds are payable at a true interest cost of 5.65% over a 27 year period with final maturity on January 15, 2029. The debt service is funded in the Taxable Refunding Bonds Debt Service Fund budget via transfers from the General Fund.

On October 1, 2002, the City of Baton Rouge issued \$47,550,000 in fixed rate taxable bonds with a true interest cost of 5.73% to refund the remaining two-thirds of the MPERS note. These fixed rate taxable bonds are payable at a net interest cost of 5.73% over a 27 year period with final maturity on January 15, 2029. The debt service is funded in the Taxable Refunding Bonds Debt Service Fund budget via transfers from the General Fund.

Amortization of Accounting Gain: Prior-Year Refunding-Governmental Activities:

The City recognized an accounting gain of \$987,729 on the above two refundings in 2002, when the reacquisition price was smaller than the carrying amount of the original obligation. In accordance with GASB 23, this gain must be deferred and amortized over the life of the debt on the entity-wide financial statements. During 2002 \$35,276 of the deferred amount on refunding was amortized. Year 2003 debt service interest expense was reduced by \$35,276 on the Statement of Activities representing the 2003 amortization amount, resulting in the reporting of an additional \$917,177 in total debt on the entity-wide statement of net assets for governmental activities as of December 31, 2003.

13. 2003 Refunding of 1/2% Sewer Sales Tax Bonds

On April 1, 2003, the Parish issued \$112,720,000 of Public Improvement (Sewer) Sales Tax Bonds to refund the: (1)\$30.2M 1993 Public Improvement (Sewer) Sales Tax Bonds, (net interest cost 5.49%; principal refunded - \$23,405,000); (2) the \$70M 1993(A) Public Improvement Sales Tax Revenue Bonds, (net interest cost 5.13%; principal refunded - \$53,160,000); and, (3)

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

13. 2003 Refunding of 1/2% Sewer Sales Tax Bonds (Continued)

the callable portion of the \$36M 1995 Public Improvement Sales Tax Revenue Bonds, (net interest cost 5.97%; principal refunded and outstanding at December 31, 2003, - \$33,070,000), and (4) to provide funds for the on-going sewerage capital improvements program. A portion of the refunding proceeds of the new issue was used to purchase U. S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service on the 1995 issue. Both 1993 issues were called and paid on April 1, 2003. A small portion of the issue (0.5%) not needed for the refunding escrow was deposited for use in the Sewerage Capital Improvements Fund for construction purposes.

Sources and uses of the issue are summarized as follows:

| | <u>Refunding</u> | <u>Construction</u> | <u>Total</u> |
|--|----------------------|---------------------|----------------------|
| <u>Sources and Uses of Funds:</u> | | | |
| <u>Sources:</u> | | | |
| Principal proceeds | \$112,193,059 | \$ 526,941 | \$112,720,000 |
| Premium | 5,863,994 | 953 | 5,864,947 |
| Accrued interest | 113,221 | 569 | 113,790 |
| Sinking fund contribution | <u>2,289,635</u> | <u>--</u> | <u>2,289,635</u> |
| Total Sources | <u>\$120,459,909</u> | <u>\$ 528,463</u> | <u>\$120,988,372</u> |
| <u>Uses:</u> | | | |
| Deposit with escrow agent | \$113,552,633 | \$ -- | \$113,552,633 |
| Net construction fund proceeds | -- | 522,267 | 522,267 |
| Issuance costs | 482,510 | 2,425 | 484,935 |
| Accrued interest to sinking fund | 113,221 | 569 | 113,790 |
| Increase in debt service reserve | 189,562 | 953 | 190,515 |
| Bond insurance | 447,551 | 2,249 | 449,800 |
| Debt service payments | <u>5,674,432</u> | <u>--</u> | <u>5,674,432</u> |
| Total Uses | <u>\$120,459,909</u> | <u>\$ 528,463</u> | <u>\$120,988,372</u> |
| <u>Gross Savings on Refunding:</u> | | | |
| Old debt service cash flows | | | \$164,787,522 |
| New debt service cash flows | | 163,678,375 | |
| Less: | | | |
| Accrued interest | | (113,790) | |
| Premium on bonds | | (5,864,947) | |
| Plus: | | | |
| Contribution from sinking funds | | 2,289,635 | <u>159,989,273</u> |
| Gross savings | | | <u>\$ 4,798,249</u> |
| <u>Economic Gain on Refunding:</u> | | | |
| Present value of old debt service cash flows | | | \$120,710,781 |
| Present value of new debt service cash flows | | 119,867,523 | |
| Less: | | | |
| Accrued interest | | (113,790) | |
| Premium on bonds | | (5,864,947) | |
| Plus: | | | |
| Contribution from sinking funds | | 2,289,635 | <u>116,178,421</u> |
| Economic gain | | | <u>\$ 4,532,360</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

13. 2003 Refunding of 1/2% Sewer Sales Tax Bonds (Continued)

As a result of the refunding, the City-Parish recognized a Deferred Amount on Refunding of \$5,961,889. This recognition is required by GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. The bonds were issued at a premium of \$5,864,947. As of December 31, 2003, \$391,759 of the Deferred Amount on Refunding and \$385,387 of the premium were amortized resulting in a net Deferred Amount on Refunding of \$90,570. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

14. Prior Year Refundings - Deferred Amount, Business-Type Activities

On March 1, 1996, the Parish issued \$65,000,000 of Public Improvement Sales Tax Revenue Bonds, Series ST-1996, to refund and defease in substance the callable portion of the 1989 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1989 (net interest cost rate - 6.933%; principal refunded - \$36,300,000, called February 1, 1999). As a result of the refunding, the City-Parish recognized a Deferred Amount on Refunding of \$2,710,061 and a premium of \$12,320. As of December 31, 2003, \$1,639,723 of the Deferred Amount on Refunding was amortized (\$186,334 in 2003 and \$1,453,389 in prior years), and \$6,196 of the premium was amortized (\$729 in 2003 and \$5,467 in prior years) resulting in a net Deferred Amount on Refunding of \$1,064,214. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

On November 1, 1998, the Parish issued \$16,825,000 of Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1998B, to refund and defease in substance the callable portion of the 1991 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991 (net interest cost - 6.67%; principal refunded - \$15,690,000, called February 1, 2001). As a result of refunding the callable portion of the \$20,000,000 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991, on November 1, 1998, the City-Parish recognized a Deferred Amount on Refunding in the amount of \$1,291,440 and a premium of \$67,659. As of December 31, 2003, \$501,870 of the Deferred Amount on Refunding was amortized (\$110,979 in 2003 and \$390,891 in prior years), and \$26,293 of the premium was amortized (\$5,814 in 2003 and \$20,479 in prior years) resulting in a net Deferred Amount on Refunding of \$748,204. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

15. Bonds of Other Governmental Units

Bonds of the East Baton Rouge Consolidated School District and the City of Zachary are obligations of other governmental units located within the limits of the Parish of East Baton Rouge. These bonds are not included in these financial statements because they are not obligations of this governmental unit.

Bonds of the Recreation and Park Commission and the Hospital Service District No. 1 are obligations of City-Parish related organizations; however, neither the City of Baton Rouge nor East Baton Rouge Parish holds responsibility for the debt of these entities.

16. Port Authority Bonds

East Baton Rouge and other surrounding parishes are situated within the limits of the Greater Baton Rouge Port Commission. Outstanding obligations of the port are secured by a pledge of the full faith and credit of East Baton Rouge and other parishes in the district. However, the Supreme Court of the State of Louisiana has held that the pledge of the full faith and credit of the State comes before the pledges of the credit of the various parishes. Therefore, East Baton Rouge Parish does not have any potential liability with respect to the bonds of the port.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

17. Arbitrage Liability

Section 148 of the Internal Revenue Code of 1986, as amended, requires that issuers of tax exempt debt make arbitrage calculations annually on bond issues issued after August 31, 1986, to determine whether an arbitrage rebate liability exists between the issuer and the U.S. Department of the Treasury. Arbitrage is the difference (or profit) earned from borrowing funds at tax exempt rates and investing the proceeds in higher yielding taxable securities. There are no arbitrage rebate liabilities outstanding to the U.S. Department of Treasury for City-Parish issues at December 31, 2003.

18. Conduit Debt Obligations

The Parish and Parish Special Districts have issued industrial development revenue bonds and industrial pollution control revenue bonds. These bonds are limited obligations of the Parish or District payable from revenues of the projects. The bonds are not a charge upon other income of the Parish or District nor are they a charge against the credit or taxing power of the District, the Parish of East Baton Rouge, or the City of Baton Rouge. As of December 31, 2003, there were 56 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$231,000,000.

19. Lease Commitments

Capital leases are accounted for in accordance with Section L20 of the GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital assets and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Assets.

The City-Parish has entered into lease agreements to acquire or obtain the use of machinery equipment, office equipment, transportation equipment, and office space. The lease terms range from 36 to 48 months. All equipment leases will expire during the next three years. The amount necessary to reduce net minimum lease payments to present value is calculated by comparing the implicit rate and the incremental rate at the inception of the lease and using the lower of the two rates. The rate used in calculating present value ranges from 2.49% to 7.14%. The lease payments are expected to remain the same throughout the term of the leases. The City-Parish has the option to purchase the equipment at a bargain price at the end of the lease term or in most cases title transfers to the City-Parish at the end of the leases. The lease agreements contain a fiscal funding clause which generally provides for cancellation in the event the Metropolitan Council does not appropriate funds in subsequent years for the lease payments.

During 2003, the City-Parish initiated three new lease agreements for the purchase of motor vehicles and office equipment. The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2003:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| 2004 | \$ 51,343 |
| 2005 | 46,103 |
| 2006 | <u>13,973</u> |
| Total minimum lease payments | 111,419 |
| Less: amount representing interest | <u>(3,803)</u> |
| Present value of net minimum lease payments | <u><u>\$107,616</u></u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

19. Lease Commitments (Continued)

Asset balances as of December 31, 2003, for equipment under capital lease by major classes are as follows:

| <u>Classes of Equipment</u> | <u>Capital Assets Governmental Activities</u> |
|--------------------------------|---|
| Office equipment | \$ 20,666 |
| Transportation equipment | <u>156,417</u> |
| Subtotal | 177,083 |
| Less: accumulated depreciation | <u>(121,428)</u> |
| Total | <u>\$ 55,655</u> |

City-Parish operating leases contain one of the following options: (a) the City-Parish may, after the initial lease term expires, purchase the property at the fair value of the property or (b) the term can be extended on a month-to-month basis until either the City-Parish returns the equipment to the Lessor or the Lessor terminates the lease by a ten day written notice. In most cases, leases are renewed or replaced by other leases. The City-Parish does not have any operating leases with scheduled rent increases. Operating lease payments during 2003 totaled \$150,613. The future minimum rental payments as of December 31, 2003, total \$45,015 all due in year 2004.

b. Component Units Long-Term Debt

A summary of the long-term obligations for component units of the City-Parish is as follows:

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance End of Year</u> |
|---|--|------------------|-------------------|------------------------------------|
| <u>District Attorney of the Nineteenth Judicial District</u> | | | | |
| Net pension obligation | <u>\$ 218,548</u> | <u>\$ 89,807</u> | <u>\$ --</u> | <u>\$ 308,355</u> |
| <u>Nineteenth Judicial District Court</u> | | | | |
| Compensated absences payable | \$ 602,886 | \$ -- | \$ 1,853 | \$ 601,033 |
| Net pension obligation | <u>6,773</u> | <u>69</u> | <u>--</u> | <u>6,842</u> |
| Total | <u>\$ 609,659</u> | <u>\$ 69</u> | <u>\$ 1,853</u> | <u>\$ 607,875</u> |
| <u>E.B.R. Parish Family Court</u> | | | | |
| Compensated absences payable | \$ 41,973 | \$ 9,222 | \$ -- | \$ 51,195 |
| Net pension obligation | <u>26,491</u> | <u>12,502</u> | <u>--</u> | <u>38,993</u> |
| Total | <u>\$ 68,464</u> | <u>\$ 21,724</u> | <u>\$ --</u> | <u>\$ 90,188</u> |
| <u>E.B.R. Parish Juvenile Court</u> | | | | |
| Compensated absences payable | \$ 149,611 | \$ 643 | \$ -- | \$ 150,254 |
| Net pension obligation | <u>63,613</u> | <u>27,288</u> | <u>--</u> | <u>90,901</u> |
| Total | <u>\$ 213,224</u> | <u>\$ 27,931</u> | <u>\$ --</u> | <u>\$ 241,155</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

b. Component Units (Continued)

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year |
|---|---------------------------------|--------------------|--------------------|---------------------------|
| <u>E.B.R. Parish Clerk of Court</u> | | | | |
| Compensated absences payable | \$ 359,773 | \$ 48,420 | \$ -- | \$ 408,193 |
| <u>E.B.R. Parish Coroner</u> | | | | |
| Compensated absences payable | \$ 1,594 | \$ -- | \$ -- | \$ 1,594 |
| Net pension obligation | 38,454 | 12,301 | -- | 50,755 |
| Total | <u>\$ 40,048</u> | <u>\$ 12,301</u> | <u>\$ --</u> | <u>\$ 52,349</u> |
| <u>St. George Fire Protection District</u> | | | | |
| Bonds and notes payable | \$2,590,842 | \$2,600,000 | \$2,704,084 | \$2,486,758 |
| Compensated absences payable | 477,958 | 473,130 | 416,324 | 534,764 |
| Net pension obligation | 143,781 | 111,534 | -- | 255,315 |
| Total | <u>\$3,212,581</u> | <u>\$3,184,664</u> | <u>\$3,120,408</u> | <u>\$3,276,837</u> |
| <u>Brownsfield Fire Protection District</u> | | | | |
| Obligation under capital leases | \$ 19,627 | \$ -- | \$ 12,905 | \$ 6,722 |
| Net pension obligation | 12,459 | 6,476 | -- | 18,935 |
| Total | <u>\$ 32,086</u> | <u>\$ 6,476</u> | <u>\$ 12,905</u> | <u>\$ 25,657</u> |
| <u>Central Fire Protection District</u> | | | | |
| Compensated absences payable | \$ 86,551 | \$ 9,065 | \$ -- | \$ 95,616 |
| Obligation under capital leases | 230,049 | -- | 52,184 | 177,865 |
| Net pension obligation | 31,775 | 20,715 | -- | 52,490 |
| Total | <u>\$ 348,375</u> | <u>\$ 29,780</u> | <u>\$ 52,184</u> | <u>\$ 325,971</u> |
| <u>E.B.R. Parish Fire Protection</u> | | | | |
| <u>District No. 6</u> | | | | |
| Bonds and notes payable | \$ 34,000 | \$ -- | \$ 34,000 | \$ -- |
| Compensated absences payable | 1,077 | -- | 184 | 893 |
| Obligation under capital leases | 80,103 | 238,500 | 25,285 | 293,318 |
| Net pension obligation | 25,460 | 20,752 | -- | 46,212 |
| Total | <u>\$ 140,640</u> | <u>\$ 259,252</u> | <u>\$ 59,469</u> | <u>\$ 340,423</u> |
| <u>Eastside Fire Protection District</u> | | | | |
| Notes payable | \$ 399,500 | \$ 450,000 | \$ 319,500 | \$ 530,000 |
| Compensated absences payable | 55,498 | 18,737 | -- | 74,235 |
| Obligation under capital leases | 242,727 | -- | 70,738 | 171,989 |
| Net pension obligation | 5,000 | 13,689 | -- | 18,689 |
| Total | <u>\$ 702,725</u> | <u>\$ 482,426</u> | <u>\$ 390,238</u> | <u>\$ 794,913</u> |
| <u>Alsen-St. Irma Lee Fire Protection District</u> | | | | |
| Obligation under capital leases | \$ 148,444 | \$ -- | \$ 42,323 | \$ 106,121 |
| <u>Capital Region Planning Commission</u> | | | | |
| Compensated absences payable | \$ 35,448 | \$ -- | \$ 818 | \$ 34,630 |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 10 - Long-Term Debt (Continued)

b. Component Units (Continued)

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year |
|--|---------------------------------|------------------------|------------------------|---------------------------|
| <u>Capital Transportation Corporation</u> | | | | |
| Compensated absences payable | \$ 366,805 | \$ -- | \$ 59,403 | \$ 307,402 |
| Claims and judgements payable | 177,500 | 217,832 | -- | 395,332 |
| Other long-term payables | <u>258,273</u> | <u>153,010</u> | -- | <u>411,283</u> |
| Total | <u>\$ 802,578</u> | <u>\$ 370,842</u> | <u>\$ 59,403</u> | <u>\$1,114,017</u> |
| Total component units long-term debt | <u>\$6,932,593</u> | <u>\$4,533,692</u> | <u>\$3,739,601</u> | <u>\$7,726,684</u> |

NOTE 11 - Interfund and Intergovernmental Receivables and Payables

a. Balances due to/from other funds at December 31, 2003, consist of the following:

| | |
|---------------------|--|
| \$17,497,219 | Due to the Capital Projects Fund from other governmental funds (Library Board of Control Fund) representing unspent balances on construction projects appropriated in the Capital Projects Fund. |
| <u>16,891,319</u> | Due to the General Fund from other governmental funds (Downtown Development District and B.R. Fire Department Pay Enhancement Fund), and the Greater Baton Rouge Airport District representing short-term loans. |
| <u>\$34,388,538</u> | |

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

| | Due From Other Funds | Due To Other Funds | Net Internal Balances |
|---|-------------------------|-----------------------|-----------------------------|
| Balance Sheet - Governmental Funds | \$34,388,538 | \$(22,965,986) | \$ 11,422,552 |
| Statement of Net Assets - Proprietary Funds | -- | (11,422,552) | (11,422,552) |
| Totals | <u>\$34,388,538</u> | <u>\$(34,388,538)</u> | <u>\$ --</u> |

b. Due From Other Governments by governmental agencies for the Primary Government consists of the following at year-end:

| | Federal | State | School Board | Sheriff | Other | Total |
|--|--------------------|---------------------|------------------|---------------------|--------------------|---------------------|
| <u>Governmental Activities:</u> | | | | | | |
| General Fund | \$ -- | \$ 781,499 | \$118,641 | \$15,452,089 | \$ 607,948 | \$16,960,177 |
| Capital Projects Fund | -- | 2,613,254 | -- | -- | 285,364 | 2,898,618 |
| Nonmajor governmental Funds | 2,023,892 | 1,943,192 | -- | 36,354,177 | 468,971 | 40,790,232 |
| Internal Service Funds | -- | -- | -- | -- | 2,149 | 2,149 |
| Adjustments to full accrual basis of accounting | -- | 2,940,396 | -- | 1,150,076 | 70,904 | 4,161,376 |
| <u>Business-type Activities:</u> | | | | | | |
| Greater Baton Rouge Airport District | 2,011,533 | 3,870,397 | -- | -- | -- | 5,881,930 |
| Comprehensive Sewerage System Fund | 541,958 | 10,515 | -- | 38 | 71,037 | 623,548 |
| Nonmajor enterprise funds | -- | <u>2,553,395</u> | -- | -- | -- | <u>2,553,395</u> |
| Totals | <u>\$4,577,383</u> | <u>\$14,712,648</u> | <u>\$118,641</u> | <u>\$52,956,380</u> | <u>\$1,506,373</u> | <u>\$73,871,425</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 11 - Interfund and Intergovernmental Receivables and Payables (Continued)

b. Due From Other Governments by governmental agencies for the Primary Government (Continued)

Summary of balances due from other governments reported on the Statement of Net Assets:

| | |
|--|----------------------------|
| Current assets - Due from other governments | \$73,247,915 |
| Restricted assets - Due from other governments | <u>623,510</u> |
| Totals | <u><u>\$73,871,425</u></u> |

c. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:

| | Due (To)/From Primary <u>Government</u> | Due (To)/From Component <u>Units</u> |
|--|---|--|
| <u>Primary Government:</u> | | |
| General Fund | \$ -- | \$209,675 |
| General Fund | | (4,331) |
| <u>Component Units:</u> | | |
| Nineteenth Judicial District Indigent Defender Board | 4,331 | -- |
| Brownsfield Fire Protection District | (180,948) | -- |
| Chaneyville Fire Protection District | (4,053) | -- |
| Alsen-St. Irma Lee Fire Protection District | <u>(24,674)</u> | <u>--</u> |
| Total | <u><u>\$(205,344)</u></u> | <u><u>\$205,344</u></u> |

NOTE 12 - Interfund Transfers

a. Interfund transfers at December 31, 2003 consist of the following:

| | |
|------------|--|
| \$ 725,980 | From the General Fund to other governmental funds (City Constable Court Costs Fund, and Animal Control Center Fund) to subsidize operations. |
| 184,804 | From the General Fund to other governmental funds (Grants Fund) to provide local match on Federal and State grants. |
| 5,052,730 | From the General Fund to the Comprehensive Sewerage System Fund and other enterprise funds (G.B.R. Parking Authority and the Riverside Centroplex Fund) to subsidize operations. |
| 4,565,202 | From the General Fund to other governmental funds (Taxable Refunding Bonds Fund and Excess Revenue and Limited Tax Fund) to pay debt service requirements on outstanding debt. |
| 3,863,093 | From the General Fund to the Capital Projects Fund to provide local match for Federal and State capital grants. |
| 250,000 | From the General Fund to the Capital Projects Fund to provide funding for the Louisiana Arts and Science Center Train Renovation Project. |
| 3,399,305 | From the General Fund to the Capital Projects Fund for major drainage and road projects from gaming tax revenues. |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

EXHIBIT A - 15
(Continued)

NOTE 12 - Interfund Transfers (Continued)

a. Interfund transfers at December 31, 2003 (Continued)

| | |
|---------------------|--|
| \$ 9,098,520 | From the General Fund to the Capital Projects Fund for 2003 departmental capital outlays greater than \$5,000 unit cost. |
| 1,933,945 | From the Capital Projects Fund to other governmental funds (Excess Revenue and Limited Tax Fund) to advance pay debt service principal on the LA Community Development Authority Loan. |
| 56,661 | From the Capital Projects Fund to other governmental funds (Grants Fund) to provide local match for operating grants. |
| 8,561,537 | From the Capital Projects Fund to other enterprise funds (Riverside Centroplex Fund and Solid Waste Disposal Facility Fund) for purchase of capital assets. |
| 3,925,000 | From other governmental funds (Library Board of Control Fund and Emergency Medical Services (EMS) Fund) to the Capital Projects Fund to provide funding for building branch libraries and the new EMS/fire stations. |
| 10,737 | From other governmental funds (Library Board of Control Fund) to other governmental funds (Grants Fund) to provide local match on library grants. |
| 493,066 | From other governmental funds (Emergency Medical Services Fund) to other governmental funds (E.B.R. Parish Communications District) to subsidize operations. |
| 2,081,014 | From other governmental funds (Consolidated Garbage Service District and State and Local Government Securities Debt Service Fund) to reimburse the General Fund for debt service payments funded by City sales tax. |
| 883,591 | From other governmental funds (Mosquito Abatement and Rodent Control Fund, Library Board of Control Fund, Downtown Development District, Gaming Enforcement Division Fund, Emergency Medical Services Fund, and Grants Fund) to the General Fund for health insurance premiums in excess of claims experience in 2003. |
| 572,732 | From other enterprise funds (Greater Baton Rouge Airport District and the Solid Waste Disposal Facility Fund) to the General Fund for health insurance premiums in excess of claims experience in 2003. |
| <u>\$45,657,917</u> | Total |

Summary of transfers in and (out) reported in fund financial statements and net transfers as reported in the Statement of Activities:

| | <u>Transfers In</u> | <u>Transfers (Out)</u> | <u>Net Transfers</u> |
|--|-------------------------|----------------------------|--------------------------|
| Statement of Revenues, Expenditures, and Changes in Fund | | | |
| Balances - Governmental Funds | \$32,043,650 | \$(45,085,185) | \$(13,041,535) |
| Statement of Revenues, Expenses, and Changes in Fund | | | |
| Net Assets - Proprietary Funds | <u>13,614,267</u> | <u>(572,732)</u> | <u>13,041,535</u> |
| Totals | <u>\$45,657,917</u> | <u>\$(45,657,917)</u> | <u>\$ --</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15
(Continued)

NOTE 12 - Interfund Transfers (Continued)

- b. The following exchange of funds between the Primary Government and its discretely presented component units during 2003 are classified as external transactions on the Government-wide Statement of Activities:

| | Operating Exchanges (To)/From Primary <u>Government</u> | Operating Exchanges (To)/From Component <u>Units</u> |
|---|---|--|
| <u>Primary Government:</u> | | |
| General Fund | \$ -- | \$(12,090,921) |
| Non-major Special Revenue Fund: | | |
| Parish Transportation Fund | -- | (947,230) |
| <u>Component Units:</u> | | |
| District Attorney of the Nineteenth Judicial District | 3,255,250 | -- |
| Nineteenth Judicial District Court | 4,192,671 | -- |
| E.B.R. Parish Family Court | 602,541 | -- |
| E.B.R. Parish Juvenile Court | 744,563 | -- |
| Nineteenth Judicial District Indigent Defender Board | 192,582 | -- |
| E.B.R. Parish Clerk of Court | 943,425 | -- |
| E.B.R. Parish Coroner | 701,930 | -- |
| Brownsfield Fire Protection District | 17,050 | -- |
| Central Fire Protection District | 36,820 | -- |
| E.B.R. Parish Fire Protection District No. 6 | 68,990 | -- |
| Eastside Fire Protection District | 32,740 | -- |
| Pride Fire Protection District | 11,120 | -- |
| Chaneyville Fire Protection District | 49,230 | -- |
| Alsen-St. Irma Lee Fire Protection District | 30,750 | -- |
| Capital Region Planning Commission | 53,804 | -- |
| Capital Transportation Corporation | <u>2,104,685</u> | <u>--</u> |
| Total | <u>\$13,038,151</u> | <u>\$(13,038,151)</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 15
(Continued)

NOTE 13 - Other Receivables

Receivables as of year-end for the government's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Internal Service Funds</u> | <u>Total</u> |
|------------------------------------|-------------------------|--------------------------------------|--|---------------------------------------|---------------------|
| Governmental Activities: | | | | | |
| <u>Receivables:</u> | | | | | |
| Property taxes | \$ 2,491,114 | \$ -- | \$ 5,969,192 | \$ -- | \$ 8,460,306 |
| Gross receipts business taxes | 4,566,145 | -- | -- | -- | 4,566,145 |
| Sales taxes | 12,905,741 | 1,747,755 | 1,296,575 | -- | 15,950,071 |
| Interest and penalties on taxes | 63,571 | -- | -- | -- | 63,571 |
| Accounts | 543,546 | -- | 1,466,096 | -- | 2,009,642 |
| Accrued interest | 78,084 | 109,136 | 366,855 | 9,437 | 563,512 |
| Special assessments | 40,497 | 13,918 | -- | -- | 54,415 |
| Other | <u>256,021</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>256,021</u> |
| Gross receivables | 20,944,719 | 1,870,809 | 9,098,718 | 9,437 | 31,923,683 |
| Less: allowance for uncollectibles | <u>(498,234)</u> | <u>--</u> | <u>(1,371,052)</u> | <u>--</u> | <u>(1,869,286)</u> |
| Net total receivables | <u>\$20,446,485</u> | <u>\$1,870,809</u> | <u>\$ 7,727,666</u> | <u>\$ 9,437</u> | <u>\$30,054,397</u> |

| | <u>Greater Baton Rouge Airport District</u> | <u>Comprehensive Sewerage System</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total</u> |
|------------------------------------|---|--|--|--------------------|
| Business-type Activities: | | | | |
| <u>Receivables:</u> | | | | |
| Sales taxes | \$ -- | \$3,042,212 | \$ -- | \$3,042,212 |
| Accounts | 693,763 | 3,751,562 | 1,647,451 | 6,092,776 |
| Accrued interest | 921 | 619,841 | 25,557 | 646,319 |
| Special assessments | <u>--</u> | <u>220,183</u> | <u>--</u> | <u>220,183</u> |
| Gross receivables | 694,684 | 7,633,798 | 1,673,008 | 10,001,490 |
| Less: allowance for uncollectibles | <u>(298,403)</u> | <u>--</u> | <u>(236,800)</u> | <u>(535,203)</u> |
| Net total receivables | <u>\$ 396,281</u> | <u>\$7,633,798</u> | <u>\$1,436,208</u> | <u>\$9,466,287</u> |

Summary of receivables reported on the Statement of Net Assets for Business-type activities:

| | |
|---------------------------------|--------------------|
| Current assets - receivables | \$8,980,701 |
| Restricted assets - receivables | <u>485,586</u> |
| Totals | <u>\$9,466,287</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15
(Continued)

NOTE 14 - Restricted Net Assets

Details of restricted net assets as reported in the entity-wide Statement of Net Assets are as follows:

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|---|------------------------------------|---|----------------------|
| Net Assets Restricted For: | | | |
| Capital projects: | | | |
| Unspent bond proceeds from city sales tax issues | \$ 1,056,603 | \$ -- | \$ 1,056,603 |
| Unspent bond proceeds and other capital project dedications for sewer | -- | 19,124,847 | 19,124,847 |
| Local match authorized for capital grants | 2,609,664 | -- | 2,609,664 |
| Dedicated sales tax for street construction | 47,934,525 | -- | 47,934,525 |
| Dedicated court fees for judicial court building | 640,586 | -- | 640,586 |
| Centroplex funds authorized for capital improvements | <u>--</u> | <u>245,206</u> | <u>245,206</u> |
| Total net assets restricted for capital projects | <u>52,241,378</u> | <u>19,370,053</u> | <u>71,611,431</u> |
| Debt service: | | | |
| 2% City sales tax revenue bonds | 19,825,270 | -- | 19,825,270 |
| 2% Parish sales tax revenue bonds | 678,750 | -- | 678,750 |
| State and local government securities | 3,341,070 | -- | 3,341,070 |
| ½% Sewer parish sales tax revenue bonds | -- | 30,512,383 | 30,512,383 |
| Airport district obligations | <u>--</u> | <u>809,181</u> | <u>809,181</u> |
| Total net assets restricted for debt service | <u>23,845,090</u> | <u>31,321,564</u> | <u>55,166,654</u> |
| Passenger facility charge: | | | |
| Greater Baton Rouge Airport District (see note 16) | <u>--</u> | <u>366,260</u> | <u>366,260</u> |
| Other purposes: | | | |
| Dedicated property taxes authorized by the electorate to specific special revenue funds and purposes | 51,565,260 | -- | 51,565,260 |
| Dedicated sales tax for street maintenance | 5,793,742 | -- | 5,793,742 |
| State road funds dedicated for transportation | 5,517,902 | -- | 5,517,902 |
| Telephone surcharge dedicated to communications district | 3,067,170 | -- | 3,067,170 |
| Grant funds restricted to specific programs | <u>6,568,729</u> | <u>--</u> | <u>6,568,729</u> |
| Total net assets restricted for other purposes | <u>72,512,803</u> | <u>--</u> | <u>72,512,803</u> |
| Total Restricted Net Assets | <u>\$148,599,271</u> | <u>\$51,057,877</u> | <u>\$199,657,148</u> |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15
(Continued)

NOTE 15 - Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

| | Comprehensive Sewerage System | Other Enterprise Total | <u>Total</u> |
|---|-------------------------------------|------------------------------|----------------------|
| Cash for capital projects | \$ 25,676,382 | \$2,267,450 | \$ 27,943,832 |
| Sales tax revenue bonds construction accounts | 46,322,219 | -- | 46,322,219 |
| Sales tax revenue bonds debt service accounts | 35,316,155 | -- | 35,316,155 |
| Accrued interest receivable - cash for capital projects | 82,058 | 4,412 | 86,470 |
| Accrued interest receivable - sales tax revenue bonds trustee accounts | 399,116 | -- | 399,116 |
| Due from other governments - federal and state grants | 552,473 | -- | 552,473 |
| Due from other governments - impact fees | <u>71,037</u> | <u>--</u> | <u>71,037</u> |
| Total restricted assets | <u>\$108,419,440</u> | <u>\$2,271,862</u> | <u>\$110,691,302</u> |

NOTE 16 - Passenger Facility Charges - Greater Baton Rouge Airport District

On September 28, 1992, the Greater Baton Rouge Airport District (Airport) received approval from the Federal Aviation Administration (FAA) to impose a \$3.00 passenger facility charge (PFC) in accordance with Section 158.29 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

FAA regulations require that PFC revenues be recognized and recorded as non-operating revenues in the year the fees are remitted by the air carriers (not when the funds are spent).

FAA regulations also require certain Financial Statement Disclosures with regard to passenger facility charges. Any PFC revenue received, but not yet spent, along with interest income, is classified as restricted net assets on the Statement of Net Assets. On the Statement of Revenues, Expenses, and Changes in Fund Net Assets, PFC revenue is classified as non-operating revenue, while on the Statement of Cash Flows, PFC collections are classified as capital in nature.

The Airport began assessing the fee on December 1, 1992, and the FAA approved a total collection of \$9,823,159 over a six year period ending December 1, 1998. On February 14, 1997, the FAA approved an additional collection of \$10,157,206 over an eleven year period commencing June 1, 1997, and ending June 1, 2008. The collection periods were based on information submitted to the FAA by the Airport.

On April 23, 1993, the Airport received approval from the FAA to use PFC revenues to fund certain airport projects. The list of approved projects was amended by the FAA on February 14, 1997.

On July 18, 2000, the FAA approved an additional \$8,912,110 with the date of collection the same, and the estimated charge expiration date of August 1, 2016. The FAA also approved a new project in the amount of \$6,504,390 on July 25, 2000, with an estimated charge expiration date of January 1, 2022. The total amount of approved projects are shown in the following table:

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EXHIBIT A - 15
(Continued)

NOTE 16 - Passenger Facility Charges - Greater Baton Rouge Airport District (Continued)

| <u>Description</u> | <u>Project Amount</u> |
|---|----------------------------|
| Terminal Concept Study | \$ 450,000 |
| Noise Mitigation | 8,532,260 |
| Terminal Building Plan Specifications | 840,899 |
| Terminal Building Renovations/Expansion | |
| Financing and Interest | 19,069,316 |
| Terminal Access Road/Passenger | |
| Loading Bridges | <u>6,504,390</u> |
| Total | <u><u>\$35,396,865</u></u> |

Since the inception of the PFC, the Airport has recorded the following revenues and expenses through the 2003 fiscal year resulting in a restriction of net assets from passenger facility charges as follows:

| | |
|--|--------------------------|
| Cumulative PFC Revenues (1992 - 2003) | \$ 12,740,809 |
| Proceeds from debt issuance | 65,130 |
| Interest earnings | <u>1,009,336</u> |
| Total revenues | 13,815,275 |
| * Cumulative PFC administrative fee | (278,969) |
| Cumulative expenses for PFC projects (1992 - 2003) | (8,480,274) |
| Cumulative bond principal payments | (2,883,317) |
| Cumulative bond interest payments | <u>(1,806,455)</u> |
| Net assets restricted for PFC's | <u><u>\$ 366,260</u></u> |

* Prior to 1995 the administrative fee was netted with PFC fees

NOTE 17 - Solid Waste Disposal Facility Closure And Postclosure Care Liability

The 1994 fiscal year was the first full year of operation for the new North Landfill, which opened when the old landfill, Devil's Swamp, was closed on October 8, 1993. The North Landfill is permitted by the U.S. Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (DEQ) to dispose of municipal solid waste and non-hazardous industrial waste from East Baton Rouge Parish and from surrounding cities, towns, and parishes. Regulations issued by the EPA and the DEQ require the City-Parish to perform certain closing functions and postclosure monitoring and maintenance functions for the North Landfill.

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines recommended by GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. GASB Statement No. 18 states that a portion of the estimated total current cost of MSWLF closure and postclosure care is required to be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition should begin on the date the MSWLF begins accepting solid waste, continue in each period that it accepts waste, and be completed by the time it stops accepting waste. The estimated total current cost of closure and postclosure care includes the cost of equipment expected to be installed and facilities expected to be constructed near or after the date that the Solid Waste Disposal Facility stops accepting solid waste and any equipment installed during the 30 year postclosure period. Included in the total current cost is the cost of final cover expected to be applied near or after the date the facility stops accepting solid waste, and the cost of monitoring and maintaining the expected usable landfill area during the postclosure period.

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EXHIBIT A - 15
(Continued)

NOTE 17 - Solid Waste Disposal Facility Closure And Postclosure Care Liability (Continued)

The current estimated cost of closure and postclosure care costs for the Solid Waste Disposal Facility, as prepared by an outside engineering firm, is \$19,155,550. Based on calculations made by the Department of Public Works, the total estimated capacity was changed in 2002 from 33,400,000 cubic yards to 28,628,570 cubic yards with a projected useful life of 42 years. (The previous projected useful life was 49 years.) The estimated cost will be adjusted on an annual basis as deemed necessary by the management of the Department of Public Works to reflect the effects of inflation, changes in technology or changes in applicable laws or regulations.

The Solid Waste Disposal Facility Enterprise Fund recognizes a portion of the current estimated cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. The expense and liability are based on the number of cubic yards used during the period rather than on the passage of time. As of December 31, 2003, the liability for closure and postclosure care totals \$11,057,551. The liability is based on the landfill capacity used to date of 16,525,856 cubic yards or 57.7% of the landfill capacity. The liability will be financed by the Solid Waste Disposal Facility Enterprise Fund. The remaining estimated cost of closure and postclosure care of \$8,097,999 will be recognized as the remaining estimated capacity is filled. The estimated remaining useful life of the landfill as of December 31, 2003, is 32 years.

NOTE 18 - State Required Disclosures

a. Council Members Compensation

Each Council Member receives monthly compensation in accordance with The Plan of Government. Compensation is currently \$300 a month for council members. In addition, members of the Metropolitan Council receive \$800 per month combined travel and auto allowance. (LRS 33:1233(B)) The following is a list of Council Members with gross wages, including auto allowance that was reported as paid in year 2003.

| | | |
|-------------|--------------------------|----------|
| District 1 | Wayne Carter | \$13,200 |
| District 2 | Ulysses Z. Addison, Jr. | 13,200 |
| District 3 | Pat Culbertson | 13,200 |
| District 4 | Joseph "Joe" Greco | 13,200 |
| District 5 | Charles Kelly | 13,200 |
| District 6 | Martha J. Tassin | 13,200 |
| District 7 | Byron Sharper | 13,200 |
| District 8 | J. Michael "Mike" Walker | 13,200 |
| District 9 | Darrell P. Ourso | 13,200 |
| District 10 | Lorri Burgess | |
| | Council | 13,200 |
| | President Pro-Tempore | 18,000 |
| District 11 | David J. Boneno | 13,200 |
| District 12 | James T. "Jim" Benham | 13,200 |

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 15
(Continued)

NOTE 18 - State Required Disclosures (Continued)

b. Communications District Wireless E911 Service

Act 1029 of the 1999 Louisiana Legislative Session authorizes the parish governing authority of a communication district to levy an emergency telephone service charge on wireless communications systems to pay the costs of implementing FCC ordered enhancements to the E911 system. The act further requires that governing authorities disclose in the audited financial statements information on the revenues derived from the service charge, the use of such revenues, and the status of implementation of wireless E911 service.

The East Baton Rouge Parish Communications District Board of Commissioners enacted Resolution No. 001/2000 on March 17, 2000, assessing an emergency telephone service charge of \$0.50 per month per wireless Commercial Mobile Radio Service (CMRS) user. Since the enactment of the fee, the Communications District Special Revenue Fund has collected and spent the following funds on enhancements to the wireless E911 system:

| | <u>Revenues</u> | <u>Expenditures</u> |
|---------------|--------------------|---------------------|
| 2000 | \$ 399,863 | \$ -- |
| 2001 | 943,927 | 85,368 |
| 2002 | 1,589,905 | 128,632 |
| 2003 | <u>1,084,224</u> | <u>297,143</u> |
| Total To Date | <u>\$4,017,919</u> | <u>\$511,143</u> |

Phase II upgrades to the area within the Cities of Baker and Zachary are complete and the system is scheduled to be fully implemented by the first quarter of 2005. Not all wireless companies offer Phase II implementation service at this time, but some of the larger service providers will be operational by the end of 2004.